NOVA

NOVA Corporation of Alberta

NOTICE OF ANNUAL MEETING

NOTICE is hereby given that the Annual Meeting (the "Meeting") of NOVA Corporation of Alberta (the "Corporation") will be held at The Calgary Convention Centre, 120 Ninth Avenue S.E., Calgary, Alberta on Tuesday, April 17, 1990 at 10:30 a.m., Calgary time, for the following purposes, each of which is described in more detail in the accompanying Information Circular-Proxy Statement which is incorporated by reference herein, namely:

1. to elect certain Directors;
2. to reappoint Ernst & Young as the Auditors of the Corporation and to authorize the Directors to fix their remuneration as such;
3. to receive the consolidated financial statements of the Corporation for the year ended December 31, 1989 and the reports of the Directors and the Auditors; and
4. to transact such other business as may properly be brought before the Meeting.

The close of business on March 7, 1990 is the record date for the determination of holders of common shares entitled to receive notice of, and to attend and vote at, the Meeting. Any transferee or person acquiring common shares after such date may, on proof of ownership of common shares, demand not later than 10 days before the Meeting that his name be included in the list of persons entitled to attend and vote at the Meeting.

By Order of the Board of Directors

(Signed) JACK S. MUSTOE
Vice President, General Counsel and
Corporate Secretary

Calgary, Alberta
March 13, 1990

TO: Holders of Common Shares

If you are unable to attend the Meeting in person, please complete and sign the enclosed form of proxy and forward it in the enclosed postage prepaid self-addressed envelope to the Corporate Secretary of the Corporation, or otherwise deliver it c/o National Trust Company, Suite 1008, Home Oil Tower, 324 Eighth Avenue S.W., Calgary, Alberta T2P 9Z9, in either case to reach the addressee no later than 5:00 p.m., Calgary time, on Monday, April 16, 1990.

NOVA

NOVA Corporation of Alberta

INFORMATION CIRCULAR - PROXY STATEMENT

GENERAL

This Information Circular - Proxy Statement is furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors and the management of NOVA Corporation of Alberta (the "Corporation") for use at the Annual Meeting of the shareholders of the Corporation (the "Meeting") to be held on Tuesday, April 17, 1990 at 10:30 a.m., Calgary time, at The Calgary Convention Centre, 120 Ninth Avenue S.E., Calgary, Alberta and at any adjournment thereof. Enclosed is a form of proxy for use at the Meeting. A copy of the Annual Report, which includes the Consolidated Financial Statements of the Corporation for the fiscal year ended December 31, 1989 to be presented to the Meeting, is also enclosed. **Copies of the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1989, as filed with Canadian provincial securities commissions and with the United States Securities and Exchange Commission, may be obtained without charge by writing to the Corporation to the attention of its Corporate Secretary, P.O. Box 2535, Postal Station M, Calgary, Alberta T2P 2N6.**

Pursuant to the General By-law of the Corporation, instruments of proxy must be received by the Corporate Secretary of the Corporation no later than 5:00 p.m., Calgary time, on Monday, April 16, 1990. Proxies can be delivered to the Corporate Secretary by using the enclosed postage prepaid self-addressed envelope, or by otherwise delivering them c/o National Trust Company, Suite 1008, Home Oil Tower, 324 Eighth Avenue S.W., Calgary, Alberta T2P 9Z9.

The approximate date on which this Information Circular - Proxy Statement and enclosed form of proxy are expected to be first mailed to holders of common shares of the Corporation (the "Common Shares") is March 13, 1990.

All dollar figures used herein are in Canadian dollars unless otherwise indicated. On March 7, 1990 the Bank of Canada noon rate for U.S. dollars was reported as Cdn. \$1.00 = U.S. \$0.8437.

REVOCABILITY OF PROXY

An instrument of proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or his attorney authorized in writing and deposited either at the registered office of the Corporation at 801 Seventh Avenue S.W., Calgary, Alberta, Canada, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

PERSONS MAKING THE SOLICITATION

This solicitation of proxies is made by and on behalf of the Board of Directors and the management of the Corporation and the costs thereof will be borne by the Corporation. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited by personal interviews, telephone or other telecommunication device, by Directors, officers and employees of the Corporation, who will not be specifically remunerated therefor. In addition, the Corporation will retain Georgeson & Company Inc., Wall Street Plaza, New York, New York 10005, to aid in the solicitation of proxies from U.S. individuals and institutional holders at a fee of approximately \$9,000, plus out-of-pocket expenses, and The Proxy Solicitation Company Ltd., 80 Richmond St. W., Toronto, Ontario M5H 2A4, to aid in the solicitation of proxies from Canadian individuals and institutional holders at a fee of approximately \$6,000, plus out-of-pocket expenses.

No person is authorized to give any information or to make any representations other than those contained in this Information Circular - Proxy Statement and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

EXERCISE OF DISCRETION

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder. **In the absence of such specification, such Common Shares will be voted for the election of each of the Directors named on the form of proxy and for the reappointment of Ernst & Young as auditors.** The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this Information Circular - Proxy Statement the Board of Directors and the management of the Corporation know of no such amendment, variation, or other matter.

COMMON SHARES AND PRINCIPAL HOLDERS THEREOF

As of February 23, 1990, the Corporation had outstanding 298,912,188 Common Shares. Each Common Share confers upon the holder the right to one vote on a ballot, if called, on each matter that may properly be brought before the Meeting, except that the NOVA Corporation of Alberta Act (the "NOVA Act") provides that no person alone or in concert with others may vote more than 15% of the outstanding voting shares.

The close of business on March 7, 1990 is the record date for the determination of holders of Common Shares who are entitled to notice of, and to attend and vote at, the Meeting. Any transferee or person acquiring Common Shares after such date may, on proof of ownership of Common Shares, demand not later than 10 days before the Meeting that his name be included in the list of persons entitled to attend and vote at the Meeting.

As at February 23, 1990, no person or company, to the knowledge of the Directors or senior officers of the Corporation, beneficially owned, directly or indirectly, Common Shares carrying more than 5% of the voting rights attached to all outstanding Common Shares of the Corporation other than as indicated in the following table:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Shares	Mackenzie Financial Corporation 150 Bloor Street West Toronto, Ontario	Sole voting and dispositive power over 16,338,412 Common Shares	5.5%
Common Shares	The Alberta Heritage Savings Trust Fund 9515 - 107 Street Edmonton, Alberta	Sole voting and dispositive power over 16,822,430 Common Shares (1)	5.6%

(1) Includes 14,018,692 Common Shares of which the Alberta Heritage Savings Trust Fund could become the beneficial owner on conversion of the 1987 Adjustable Rate Convertible Subordinated Debentures.

ELECTION OF DIRECTORS

The NOVA Act provides for a Board of Directors consisting of a minimum of 15 Directors and a maximum of 20 Directors. The number of Directors presently in office is 17, including those appointed by the Lieutenant Governor in Council as described below. The information given herein with respect to each of the Directors is based upon information furnished to the Corporation by each Director.

Beneficial Ownership of Securities

The table below sets forth as at February 23, 1990 information with respect to beneficial ownership of shares of the Corporation, including options to acquire such shares exercisable within 65 days of February 23, 1990, by each Director of the Corporation and by all Directors and officers of the Corporation, as a group, as provided to the Corporation by such persons.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)		Title of Class
John Black Aird, O.C., Q.C.	5,000	(2)	Common Shares
Sidney Robert Blair, C.C.	1,417,500	(3) (4)	Common Shares
James Henry Butler	688,579	(4)	Common Shares
Ronald Borden Coleman	2,400		Common Shares
William Harold Comrie	10,000		Common Shares
Willard Zebedee Estey	1,200		Common Shares
John Joseph Healy	1,560		Common Shares
Harley Norman Hotchkiss	15,000		Common Shares
William Arnold Howard, Q.C.	10,308	(3) (5)	Common Shares
	400		7.60% First Preferred Shares
Peter Logie Parkin Macdonnell, C.M., Q.C.	9,000	(5)	Common Shares
Clifford Leonard Mort	NIL		
Robert Alastair Morton	300		Common Shares
Harold Phillip Milavsky	12,240	(3) (5)	Common Shares
Hugh John Sanders Pearson	24,226		Common Shares
Robert Lorne Pierce, Q.C.	930,781	(5)	Common Shares
Daryl Kenneth Seaman	102,361		Common Shares
William George Wilson	552,931	(3) (4)	Common Shares
All Directors and officers as a group (37 persons, including those listed herein)	5,354,053	(3) (4)	Common Shares
	400		7.60% First Preferred Shares

Notes:

(1) Each Director's holdings represents less than one percent of the outstanding shares of such class and all Directors and officers of the Corporation, as a group, hold approximately 1.8% of the outstanding Common Shares.

(2) These 5,000 Common Shares are held by Housco Investments Limited, a company owned by the spouse of the Hon. J. B. Aird. The Hon. J. B. Aird is Chairman of that company and exercises sole voting power over these shares but disclaims beneficial ownership thereof.

(3) The Corporation's pension plans are administered by a Pension Committee composed of Messrs. Blair, Howard, Milavsky, Wilson and two executive officers of the Corporation (see "Committees and Meetings of the Board of Directors" and "Pension Plans"). The foregoing information regarding the beneficial ownership of Common Shares of the Corporation by each Director does not include an aggregate of 1,308,923 Common Shares of the Corporation held by the trustee for such pension plans and over which the Pension Committee has no investment or voting control. The foregoing information does not include 25,005 Common Shares of the Corporation held by the pension plan of Foothills Pipe Lines Ltd.

(4) Includes for Messrs. Blair, Butler, Wilson and 20 other officers: 1,192,500; 541,000; 408,000 and 1,424,750 Common Shares, respectively, which may be acquired pursuant to options exercisable within 65 days of February 23, 1990, which options were issued to such persons pursuant to the Employee Incentive Stock Option Plan (1982).

(5) Excludes for Messrs. Howard, Macdonnell, Milavsky and Pierce, each of whom may be deemed to have, but disclaims, beneficial ownership of 15,671, 6,125, 150, and 1,110 Common Shares, respectively. The 15,671 Common Shares for Mr. Howard are held by certain of Mr. Howard's partners in the law firm of Howard, Mackie. The 6,125 Common Shares for Mr. Macdonnell are held by his spouse. The 150 Common Shares for Mr. Milavsky are held by his two daughters, who do not reside in the same residence as Mr. Milavsky. The 1,110 Common Shares for Mr. Pierce are held among his brother, sister-in-law and son, none of whom resides in the same residence as Mr. Pierce. The foregoing respective associates and family of Messrs. Howard, Macdonnell, Milavsky and Pierce exercise sole voting and investment power over such Common Shares.

Committees and Meetings of the Board of Directors

The Board of Directors of the Corporation has a Management Resources and Compensation Committee, an Audit Committee and a Pension Committee.

The Management Resources and Compensation Committee of the Board of Directors reviews recommendations for the appointment of persons to senior executive positions, considers terms of employment including matters of compensation and recommends awards under the Employee Stock Option Plan (1982). The Management Resources and Compensation Committee is currently composed of Messrs. Aird, Comrie, Estey, Morton and Pearson (Chairman).

The Audit Committee of the Board of Directors meets with the Auditors of the Corporation and senior executives of the Corporation to review and inquire into matters affecting the financial reporting of the Corporation and to recommend to the Board of Directors the Auditors to be appointed. The Audit Committee is currently composed of Messrs. Coleman, Hotchkiss, Macdonnell (Chairman) and Milavsky.

The Pension Committee of the Board of Directors is responsible for the proper and orderly administration of the Corporation's pension plans and associated trust funds. The Pension Committee is currently composed of Messrs. Blair, Howard, Milavsky, Wilson and two executive officers, Messrs. Milner and Olson.

During the last fiscal year, January 1, 1989 to December 31, 1989, the Board of Directors of the Corporation held nine meetings including regularly scheduled and special meetings, the Management Resources and Compensation Committee held seven meetings, the Audit Committee held seven meetings and the Pension Committee held three meetings. Messrs. Comrie and Morton attended fewer than 75% of the aggregate of: (a) the total number of meetings of the Board of Directors and (b) the total number of meetings held by all committees of the Board on which they served.

Certain Relationships and Related Transactions

Certain Directors and executive officers of the Corporation have interests in transactions with the Corporation and its subsidiaries. Mr. W. A. Howard, Q.C., a Director of the Corporation, is a senior partner of the law firm of Howard, Mackie, which firm has provided and continues to provide legal services to the Corporation. Howard, Mackie has billed the Corporation and its subsidiaries an aggregate sum of approximately $3.0 million in respect of fees for services performed in 1989, which services were rendered in the ordinary course of business.

The Hon. J. B. Aird, O.C., Q.C. and Mr. P. L. P. Macdonnell, C.M., Q.C., directors of the Corporation, are senior partners in the law firms of Aird & Berlis and Milner & Steer, respectively, which firms have provided and continue to provide legal services to the Corporation.

The Corporation and C. L. Mort Consulting Inc. (a company wholly owned by Mr. Mort) have entered into a verbal arrangement whereunder the Corporation has agreed to pay C. L. Mort Consulting Inc. $10,000 per month until August 25, 1991 in exchange for consulting services of Mr. Mort and his company.

Directors of the Corporation and Nominees for Election as Directors

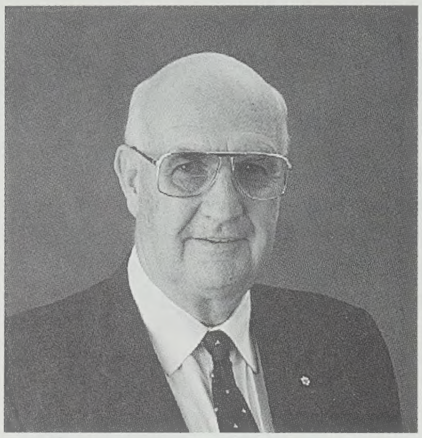
The Articles of Continuance of the Corporation (the "Articles") and the General By-law of the Corporation (the "General By-law") provide that the number of Directors to be elected at the Meeting shall be the number of Directors then retiring. At the last annual meeting of the shareholders held on April 25, 1989 (the "last meeting"), the shareholders approved an amendment to the Articles and confirmed an amendment to the General By-law providing for the terms of office of the elected Directors of the Corporation to be staggered whereby approximately one-third of the number of Directors eligible for election will be elected each year.

The Directors elected at the last meeting of shareholders were elected for the following terms: for a one year term expiring at the Corporation's 1990 annual meeting: Messrs. Estey, Macdonnell, Morton and Wilson; for a two year term expiring at the Corporation's 1991 annual meeting: Messrs. Butler, Coleman, Hotchkiss and Pierce; and for a three year term expiring at the Corporation's 1992 annual meeting: Messrs. Aird, Blair, Howard and Pearson. In addition, on August 25, 1989 the Board of Directors of the Corporation appointed Mr. C. L. Mort as a Director of the Corporation to serve until the next annual meeting of shareholders.

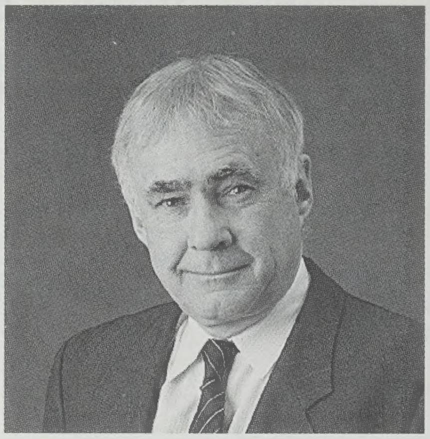
In accordance with the NOVA Act, the Articles and the General By-law, the Board of Directors has determined that five Directors are to be elected at the Meeting by the holders of Common Shares. The term of office proposed for each such nominee is a term of three years expiring at the Corporation's 1993 annual meeting or until their successors are earlier elected or appointed. The nominees are the Hon. W. Z. Estey and Messrs. P. L. P. Macdonnell, C.M., Q.C., C. L. Mort, R. A. Morton and W. G Wilson.

Each person nominated for election as a Director at the Meeting is currently a Director of the Corporation. Set forth hereafter is the age (as of February 23, 1990), and principal occupation (including all positions currently held with the Corporation) of each such nominee as well as of each Director who is not retiring

at the termination of the Meeting, the period during which each has served as a Director of the Corporation and certain other directorships held by each such Director. Each of such Directors has held his present principal occupation or executive position with the same or associated firms for the past five years except as set forth below. Proxies in favour of the persons named in the accompanying form of proxy will be voted in favour of the election for a three year term of each of the five persons named in the proxy as nominees. The Board of Directors and management do not contemplate that any of the nominees will be unable to serve as a Director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.



Hon. John B. Aird, O.C., Q.C. (66) has been a Director of the Corporation since August 26, 1988. He is a senior partner in the law firm Aird & Berlis in the City of Toronto where he resides. In 1986, the Hon. J. B. Aird was appointed Chancellor of the University of Toronto, and between 1980-1985 he served as the Lieutenant Governor of the Province of Ontario. The Hon. J.B. Aird is the Chairman of the Board of the Consumers' Gas Company Ltd., a gas utility company, and also serves on the Boards of Power Corporation of Canada, Economic Investment Trust Limited, INCO Limited, The Molson Companies Limited, Reed Stenhouse Companies Limited, Mercedes-Benz Canada Inc., Algoma Central Railway, Housco Investments Limited, Jeam & Co. Limited, Lajahak Investments Limited, Rosseau Management Limited and Sherwood Inn, Limited.

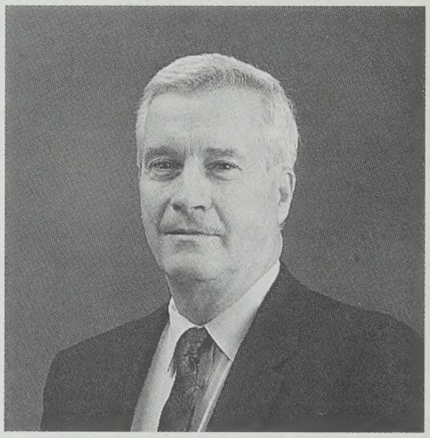


S. Robert Blair, C.C. (60) served initially as a non-management Director of the Corporation during the 1960's, then entered full-time management of the Corporation in December 1969. He is Chairman and Chief Executive Officer of the Corporation and resides in the City of Calgary. He also serves on the Board of Hutchison Whampoa Limited.

James H. Butler (58) has been a Director of the Corporation since January 22, 1988. He is President of the Corporation and resides in the City of Calgary. Prior to April 1988, he served as Executive Vice President of the Corporation. Prior to April 1986 Mr. Butler served as Vice President, International Trade, Petrochemical Division of Mobil Oil Company and prior to January 1986 he was Vice President, Business Development and Joint Interests of that company. James H. Butler will relinquish the position of President of the Corporation about July 1, 1990. Mr. Butler will return to the United States where he will continue employment associated with a U.S. subsidiary of the Corporation. Mr. Butler continues to be a Director of the Corporation.

Ronald B. Coleman (57) has been a Director of the Corporation since June 18, 1987. He resides in the City of Calgary and is President of R. B. Coleman Consulting Co. Ltd. and of Landmark Corporation, companies engaged in oil, gas and mining activities. He also is President and a director of Domequity Growth & Calgary Ltd. and serves on the Boards of The Maritime Life Assurance Company and Nova Scotia Resources Ltd.

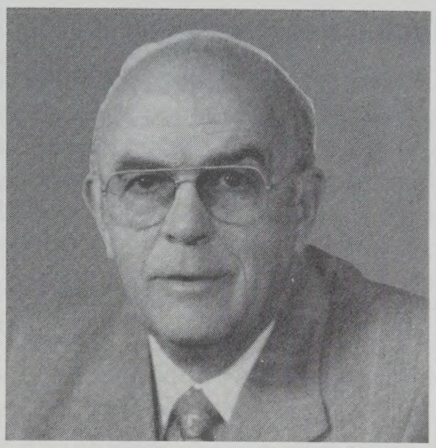
Hon. Willard Z. Estey (70) has been a Director of the Corporation since August 26, 1988. He resides in the City of Toronto and is Deputy Chairman of Central Capital Corporation and Chairman of Central Guaranty Trustco Ltd. He is counsel to the law firm of McCarthy & McCarthy and to Cablecasting Limited and has faculty appointments with the Law Faculty at the University of Toronto and with Osgoode Hall Law School, York University. Prior to April, 1988 he was a Justice of the Supreme Court of Canada. He also serves on the Boards of MICC Investments Ltd. and Bramalea Limited.



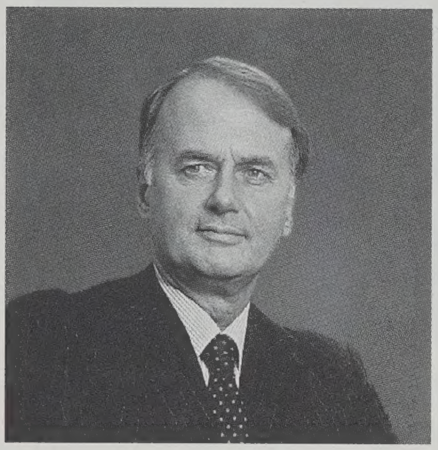
Harley N. Hotchkiss (62) has been a Director of the Corporation since May 11, 1979. He resides in the City of Calgary and is President of Spartan Resources Ltd. and other private companies investing in oil and gas, real estate and agriculture. Prior to June, 1988 he was President of Harman Resources Ltd. He also serves on the Boards of Conwest Exploration Company Limited, the Calgary Flames Hockey Club Ltd., PPC Oil & Gas Corporation, Riverbend Farms (Ontario) Ltd., CWCP Resources Inc. and CFCP Resources Inc.

William A. Howard, Q.C. (71) has been a Director of the Corporation since May 13, 1977. He is a senior partner in the law firm of Howard, Mackie, and resides in the City of Calgary. He also serves on the Boards of Bow Valley Industries Ltd., Trilogy Resources Corporation, Irvco Resources Ltd. and Alberta National Drug Company, Limited.

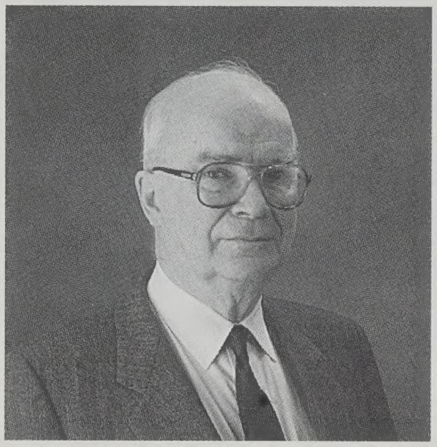
Peter L. P. Macdonnell, C.M., Q.C. (70) has been a Director of the Corporation since July 17, 1972. He is a partner in the law firm of Milner & Steer and resides in the City of Edmonton. He also serves on the Boards of Alberta Energy Company Ltd., Vencap Equities Alberta Ltd., and certain subsidiaries of the Corporation.



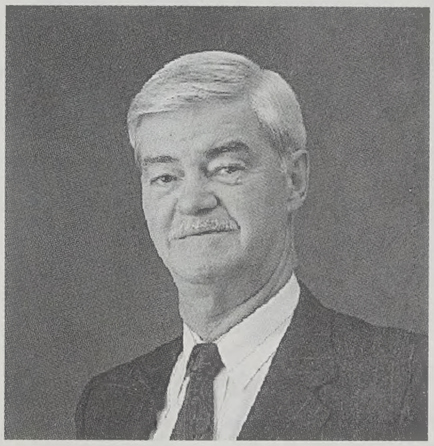
Clifford L. Mort (66) has been a Director of the Corporation since August 25, 1989. He resides in the City of Calgary and is President of C. L. Mort Consulting Inc., a company engaged in petrochemical and oil and gas operations and of Black River Resources Ltd., an oil and gas company. Through C. L. Mort Consulting Inc. Mr. Mort serves as a consultant to the Corporation and certain of its subsidiaries. He also serves on the Board of Cancom Ltd.



R. Alastair Morton (52) has been a Director of the Corporation since January 27, 1989. Mr. Morton resides in London, England. He is British Co-Chairman of Eurotunnel, the company granted a concession to design, build and operate fixed links between Great Britain and France. Prior to October 1987 he was Chairman and Chief Executive of the Guinness Peat Group. Mr. Morton also serves on the Boards of Banque Nationale de Paris plc and of National Power Company.



H. J. Sanders Pearson (68) is Vice Chairman of the Board of the Corporation. He has been a Director of the Corporation since July 17, 1972. He resides in the City of Edmonton and is Chairman of Century Sales & Service Limited, a company engaged in the distribution of industrial tools and fasteners. Prior to June 1985 he was Chairman of the Board of the Corporation. He also serves on the Boards of The Mutual Life Assurance Company of Canada, Prudential Steel Ltd., TransAlta Utilities Corporation and certain subsidiaries of the Corporation.

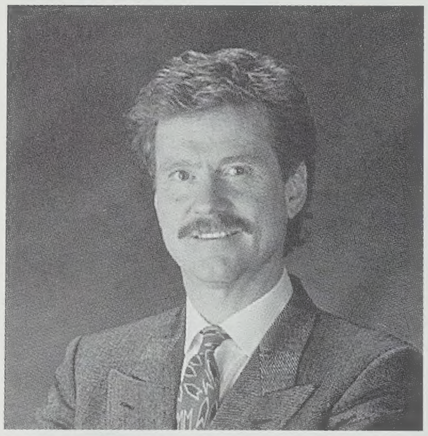


Robert L. Pierce, Q.C. (60) has been a Director of the Corporation since May 13, 1977 and was the President of the Corporation until April 1988. Prior to January 1986 he was Executive Vice President of the Corporation. He resides in the City of Calgary. He is an executive of certain subsidiaries of the Corporation and also serves on the Boards of a Canadian chartered bank, Husky Oil Ltd., Interstate Natural Gas Association of America and certain subsidiaries of the Corporation.

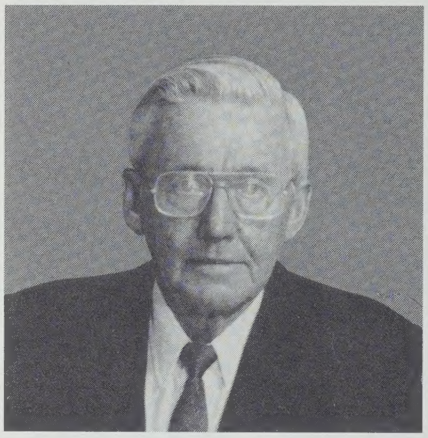
William G. Wilson (54) has been a Director of the Corporation since January 22, 1988. He is Executive Vice President and Chief Financial Officer of the Corporation and resides in the City of Calgary. Prior to December 1986 he was President of Cominco Ltd. Mr. Wilson also serves on the Board of BGR Precious Metals Inc.

Directors Appointed by the Lieutenant Governor in Council

The NOVA Act provides that four Directors of the Corporation must be residents of Alberta appointed by the Lieutenant Governor in Council of Alberta. The Directors presently in office who have been appointed by the Lieutenant Governor in Council are named immediately below. Also set forth below is the age (as of February 23, 1990) and principal occupation of each such Director, the period during which each has served as a Director of the Corporation and certain other directorships held by each Director. Each such Director has held his present principal occupation or executive position with the same or associated firms for the past five years except for Harold P. Milavsky, who prior to June 1986 was the President and Chief Executive Officer of Trizec Corporation Ltd., and Daryl K. Seaman, who prior to January 1988 was Chairman, President and Chief Executive Officer of Bow Valley Industries Ltd. The term of appointment of J. Joseph Healy will expire at the termination of the Meeting, and the Corporation expects to receive information from the Lieutenant Governor in Council as to this position before that date. The terms of appointment of Harold P. Milavsky and Daryl K. Seaman will expire at the termination of the annual meeting in 1991. The term of appointment of William H. Comrie will expire at the termination of the annual meeting in 1992.

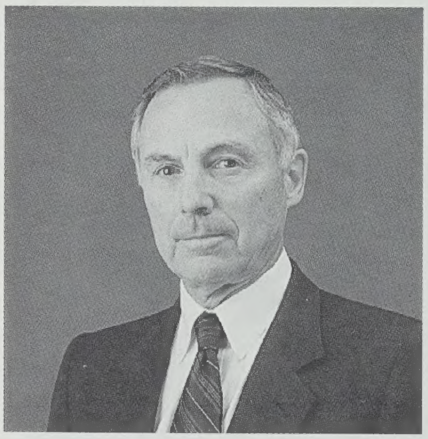


William H. Comrie (41) has been a Director of the Corporation since May 1, 1986. He resides in the City of Edmonton and is Chairman and Chief Executive Officer of The Brick Warehouse Corporation, a company engaged in the retail marketing of furnishings. He also serves on the Board of the Edmonton Eskimos Football Club.



J. Joseph Healy (60) has been a Director of the Corporation since April 19, 1977. He resides in the City of Edmonton and is the President of Healy Motors Limited, a company engaged in transportation.

Harold P. Milavsky (59) has been a Director of the Corporation since April 26, 1988. He resides in the City of Calgary and is Chairman and Chief Executive Officer of Trizec Corporation Ltd., a company engaged in development and management of commercial income properties. He is Chairman of the Board of Carena Bancorp Inc. and also serves on the Boards of the Rouse Company, Brascan Limited, Ernest W. Hahn, Inc., London Life Insurance Company, Bramalea Limited, Hees International, BioTechnica International of Canada Inc., Coscan Development Corporation, Saskatchewan Oil and Gas Corporation and Amoco Canada Petroleum Company Ltd.



Daryl K. Seaman (67) has been a Director of the Corporation since April 9, 1973. He resides in the City of Calgary and is Chairman and Chief Executive Officer of Bow Valley Industries Ltd., a company engaged in natural resource exploration and development. He also serves on the Boards of Vencap Equities Alberta Ltd., BioTechnica International of Canada, Inc., Potash Corporation of Saskatchewan Inc. and certain subsidiaries of the Corporation.

EXECUTIVE OFFICERS

The table below shows the name and age (as of February 23, 1990), positions held with the Corporation and principal occupations within the last five years of each executive officer of the Corporation. Unless otherwise noted, all positions listed in the table below are with the Corporation. Officers are appointed by the Board of Directors from time to time and serve at the discretion of the Board of Directors.

Name and Age	Position with the Corporation
Sidney Robert Blair, C.C. (60)	Chairman of the Board of Directors and Chief Executive Officer
James Henry Butler (58)	President
William George Wilson (54)	Executive Vice President and Chief Financial Officer
George Firman Bentley (56)	Senior Vice President
Pierre Choquette (47)	Senior Vice President
John Edwin Feick (46)	Senior Vice President
Douglas Alexander Henderson (50)	Senior Vice President
Donald Gene Olafson (53)	Senior Vice President
Bruce Wayne Simpson (45)	Senior Vice President
John Walter Frederick Cowell (45)	Vice President, Health, Safety and Environment
Richard Charles Milner (45)	Vice President and Treasurer
Jack Stephen Mustoe (42)	Vice President, General Counsel and Corporate Secretary
Brian Franklin Olson (38)	Vice President, Human Resources
Albert Terence Poole (47)	Vice President and Controller

Notes:

All of the above officers have held their present positions with the Corporation for the past five years, except as indicated below:

S. R. Blair	Prior to January 1986, Chairman of the Board of Directors, President and Chief Executive Officer of the Corporation; prior to June 1985, President and Chief Executive Officer of the Corporation;
J. H. Butler	Prior to April 1988, Executive Vice President of the Corporation; prior to April 1986, Vice President, International Trade, Petrochemical Division, Mobil Oil Company; prior to January 1986, Vice President, Business Development and Joint Interests, of that company; James H. Butler will relinquish the position of President of the Corporation about July 1, 1990; Mr. Butler will return to the United States where he will continue employment associated with a U.S. subsidiary of the Corporation; Mr. Butler continues to be a Director of the Corporation;
W. G. Wilson	Prior to December 1986, President of Cominco Ltd.;
G. F. Bentley	Prior to October 1988, President, Basic Petrochemical Division, Polysar Limited; prior to March 1988, Group Vice President, Basic Petrochemicals Division, Polysar Limited; prior to June 1985, Group Vice President, Rubber and Plastics, Polysar Limited;
P. Choquette	Prior to October 1988, President, Polymers Division, Polysar Limited; prior to March 1988, Group Vice President, Rubber, Polysar Limited; prior to August 1986, Vice President, Rubber, North and South America, Polysar Limited;
J. E. Feick	Prior to April 1988, President of Novacor Chemicals Ltd.; prior to April 1987, Senior Vice President of the Corporation;
D. A. Henderson	Prior to October 1989, Group Vice President, Rubber Division, Polysar Limited; prior to March 1988, Group Vice President, Diversified Products, Polysar Limited; prior to September 1986, Vice President, Polysar International S.A.;
D. G. Olafson	Prior to October 1988, Division Senior Vice President, Alberta Gas Transmission Division of the Corporation and President, Novacorp International Consulting Inc.;
J. W. F. Cowell	Prior to October 1988, Vice President, Occupational Health and Safety of the Corporation;
R. C. Milner	Prior to October 1988, Vice President, Treasurer and Corporate Secretary of the Corporation; prior to June 1987, Vice President and Treasurer of the Corporation; prior to February 1985, Vice President, Treasurer and Corporate Secretary of the Corporation;
J. S. Mustoe	Prior to October 1988, Vice President and General Counsel of the Corporation; prior to May 1988, Assistant General Counsel, Norcen Energy Resources Limited; prior to February 1986, Senior Corporate Counsel, Dome Petroleum Limited;
B. F. Olson	Prior to October 1988, Corporate Vice President of the Corporation;
A. T. Poole	Prior to March 1988, Vice President of Phillips Cables Ltd.

STATEMENT OF EXECUTIVE COMPENSATION

Definitions

For the purposes of this Statement, "executive officer" of the Corporation means the Chairman of the Board of Directors, the President, any Vice President in charge of a principal business unit, division or function such as sales, administration, finance or production and any other officer of the Corporation or a subsidiary who performs a policy-making function in respect of the Corporation, whether or not such officer is also a Director of the Corporation or a subsidiary and any other person who performs similar policy-making functions for the Corporation.

Cash Compensation

The following table sets forth the aggregate cash compensation paid by the Corporation and its subsidiaries for services rendered during 1989 to (a) each of the five most highly compensated executive officers of the Corporation and (b) all executive officers as a group (15 persons).

Name of Individual or Number of Persons in Group	Capacities In Which Served	Cash Compensation (1) (2)
S. R. Blair, C.C.	Chairman of the Board of Directors and Chief Executive Officer	$ 761,254
J. H. Butler	President	$ 516,671
W. G. Wilson	Executive Vice President and Chief Financial Officer	$ 435,629
G. F. Bentley	Senior Vice President	$ 236,250
J. E. Feick	Senior Vice President	$ 236,250
15 executive officers as a group (including those listed herein) (3)		$4,161,288

Notes:

(1) Includes amounts contributed by the Corporation under the Savings Plan described below.

(2) Executive officers receive no directors' fees for service on the Board of Directors of the Corporation, its subsidiaries or affiliates.

(3) This table and the information following in this Statement of Executive Compensation includes amounts paid to R. L. Pierce, formerly President of the Corporation.

Plans

MANAGEMENT INCENTIVE PLAN

Under an informal plan or arrangement (the "Management Incentive Plan"), management can recommend to the Management Resources and Compensation Committee of the Board of Directors of the Corporation the awarding of bonuses to employees on an individual basis for the prior fiscal year. The Management Resources and Compensation Committee considers the recommendations of management and makes recommendations to the Board of Directors, and bonuses are paid based on the Board of Directors' decision. The criteria used for the determination of the amount of any bonus are (a) the performance of the Corporation, (b) the performance of the appropriate division or subsidiary of the Corporation, (c) the bonus practice in competitive companies and (d) the individual executive, managerial, professional or administrative achievement for the Corporation made by each individual. In 1990, no bonuses were paid to executive officers under the Management Incentive Plan for services rendered during the calendar year 1989.

PENSION PLANS

Until December 31, 1989, the Corporation provided different pension plans to salaried employees, including executive officers, of the Corporation and certain subsidiaries (the "NOVA Plan") and to executive officers of Polysar Limited (the "Polysar Plan"). There was also a separate plan for salaried employees, other than executive officers, of Polysar Limited. These plans were amended as of January 1, 1990 to provide substantially equivalent pension benefits to all Canadian salaried employees of the Corporation and certain subsidiaries, including executive officers (the "New Plans"). The New Plans have been filed with and are pending

approval by regulatory authorities. A member's pension will be composed of benefits in the NOVA Plan or the Polysar Plan for service up to December 31, 1989 and in the New Plans for service from January 1, 1990 (the "Consolidated Pension Plan").

The NOVA Plan was a non-contributory defined benefit pension plan for all employees, including executives, of the Corporation and certain subsidiary and affiliated companies. Membership was automatic after the completion of one year of continuous service with the Corporation. Directors who were not employees or executive officers of the Corporation were not eligible to participate in the NOVA Plan. This Plan provided a benefit based on the average of the five highest years annual base salary which became vested only after an employee had five years of continuous service with the Corporation. NOVA Plan benefits were calculated as follows:

(A) 1.4% of the highest five years average salary up to the Canada Pension Plan Yearly Maximum Pensionable Earnings ceiling; and

(B) 2% of the highest five years average salary above this ceiling.

The aggregate value of (A) and (B) was multiplied by years of credited service.

The Polysar Plan included certain executive officers of the Corporation and provided benefits similar to those provided under the NOVA Plan except that:

(A) vesting under the Polysar Plan occurred after two years of Polysar Plan membership and;

(B) 2% of the highest 36 months earnings in the last 10 years minus the estimated Canada Pension Plan payments (which is 0.7% of earnings up to the Canada Pension Plan ceiling) were considered in calculating the pension benefit.

Unreduced retirement benefits under the NOVA Plan were available after attainment of age 62; partial actuarial reductions applied otherwise. The Polysar Plan's early retirement benefits reduced the benefit by 5/12ths of 1% for each month that early retirement preceded age 62 plus 1/12th of 1% for each month by which 85 exceeded the sum of attained age and continuous service. The Canada Pension Plan offset took effect from age 65 (the "Normal Retirement Date") and an additional bridging supplement was payable to the Normal Retirement Date if early retirement took place on or after the attainment of age 62.

Subject to regulatory approval, the provisions of the New Plans became effective as of January 1, 1990. The New Plans are non-contributory defined benefit pension plans for all salaried employees including executive officers of the Corporation and certain subsidiaries but excluding Directors who are not employees or executive officers of the Corporation. Membership in the New Plans is automatic following one year of continuous service with the Corporation. The New Plans provide a benefit based on the average of the 36 highest consecutive months base salary in the last 10 years. New Plan benefits are calculated as follows:

(A) 1.0% of the highest 36 months of average base salary in the last 10 years up to the Canada Pension Plan Yearly Maximum Pensionable Earnings ceiling; and

(B) 1.6% of the highest 36 months of average base salary in the last 10 years above this ceiling.

The aggregate value of (A) and (B) is multiplied by years of credited service.

All Consolidated Pension Plan benefits are paid by an independent trustee on a monthly basis to the annuitant. Such benefits are exclusive of amounts payable under the Canada Pension Plan.

Under the Consolidated Pension Plan, unreduced retirement benefits are the same as those in the NOVA Plan unless the member was a former member of the Polysar Plan in which case he may have elected to retain the early retirement provisions of the Polysar Plan.

Consolidated Pension Plan benefits are paid in the form of a lifetime pension which, in normal form, continues at a rate of 60% to a surviving spouse upon the death of the pensioner. If the pensioner does not have a spouse at the time of retirement, the benefits are paid as a lifetime pension with a guaranteed payment for five years. Consolidated Pension Plan benefits are fully vested after two years of membership in the Consolidated Pension Plan.

The Consolidated Pension Plan benefits are subject to Revenue Canada maximum pension regulations which have the effect of limiting annual benefits to $1,715 per year of credited service. The aggregate benefits

of all executive officers are affected by these maximum pension regulations. The following table illustrates the operation of the Consolidated Plan in relation to executive officers as a result of the maximum pension regulations:

	Years of Service					
	10	15	20	25	30	35
Annual pension	$17,150	$25,725	$34,300	$42,875	$51,450	$60,000

The years of credited service in the Consolidated Pension Plan to December 31, 1989 for the following executive officers are: Mr. Blair, 20.1 years; Mr. Butler, 3.7 years; Mr. Wilson, 3.0 years; Mr. Bentley, 23.5 years and Mr. Feick, 11.9 years. The Corporation has entered into pension agreements with certain officers and employees, including Messrs. Butler, Wilson, Bentley and Feick. The agreements provide for supplementary pension payments, which are computed with reference to the earned pension under the Consolidated Pension Plan. These supplementary payments would be above those permitted by the maximum pension regulation and, therefore, would not be deductible for income tax purposes by the Corporation until paid to the respective officer. The aggregate pension payments resulting from such agreements and the pension payments payable under the Consolidated Pension Plan would be generally equivalent to the benefit which is earned under the Consolidated Pension Plan without such regulatory restrictions.

The Corporation has entered into supplemental pension agreements with each of Messrs. Blair and Pierce. Under such agreements Messrs. Blair and Pierce will receive total pension benefits equal to certain percentages of their respective average annual salaries earned over a certain period as officers of the Corporation, including benefits payable under the Consolidated Pension Plan but excluding benefits payable under the Canada Pension Plan. The future supplemental pension payments to Messrs. Blair and Pierce on their respective retirements from service to the Corporation are expected to amount to $234,000 and $157,000, respectively, per year. The Corporation has also agreed to continue to employ Mr. R. L. Pierce until December 31, 1991, subject to earlier termination in certain events.

The Corporation has agreed to compensate Mr. Butler for loss incurred by him in respect of the loss of certain rights under the Mobil Oil Company Pension Plan and Savings Plan. Such compensation is payable in 1991, subject to acceleration in certain events, in an amount equal to the Canadian dollar equivalent of U.S. $200,000, subject to reduction in certain cases.

LONG TERM DISABILITY

The Corporation provides executive officers with supplementary long term disability plan coverage during the second and subsequent years of a disability which prevents such executive officers from carrying out their duties. This plan supplements the coverage provided under the Corporation's long term disability plan for all employees which, until the end of 1989, provided 70% of an employee's salary up to $6,000 per month during a disability. From January 1, 1990, the Corporation provides a revised program under which an employee can elect to receive either participation in a Corporation paid plan which provides 70% (taxable) of an employee's salary up to $10,000 per month during a disability or the equivalent of the Corporation's premium in cash. In the event the employee elects the cash payment, he must enroll in an employee paid plan which provides 60% (non-taxable) of an employee's salary up to $10,000 per month during a disability.

The benefit coverage provided under the supplementary plan to the end of 1989 was:

70% (taxable) of salary on the first $100,000;
50% (taxable) of salary on the second $100,000;
30% (taxable) of salary on the third $100,000;
10% (taxable) of salary on balance of the executive officer's base salary.

No benefits were paid under this plan in 1987, 1988 or 1989.

The benefit coverage provided under the supplementary plan after December 31, 1989 is:

the benefit of the general plan elected (either 70% taxable or 60% non-taxable) on the first $100,000;
50% (taxable) of salary on the second $100,000;
30% (taxable) of salary on the third $100,000;
10% (taxable) of salary on the balance of the executive officer's base salary.

No benefits will be payable under this plan in 1990 as there is a one year waiting period for benefit coverage under this plan. During 1989 no executive officer became eligible for disability coverage.

SAVINGS PLAN/SAVINGS AND PROFIT SHARING PLAN

During and prior to 1989, the Corporation provided a voluntary savings plan (the "Savings Plan") for all permanent employees (other than those of Polysar Limited or its subsidiaries) after one year of continuous service as a vehicle for long term savings funded by employee contributions and by the Corporation. The contributions of the Corporation to employees' accounts were made monthly and were immediately vested. Savings Plan assets were held and administered by a trustee in some or all of three investment vehicles at the Savings Plan member's option, including Common Shares.

Contributions of the Corporation to employees' accounts were based on the following service-related schedule:

(A) Employees could contribute 1% to 5% of base salary as regular contributions and up to a further 5% as additional contributions.

(B) During the second and third years of employment the Corporation matched 50% of the employees' regular contributions.

(C) During the fourth and fifth years of employment the Corporation matched 75% of the employees' regular contributions.

(D) After five years of employment the Corporation matched 100% of the employees' regular contributions.

(E) After 10 years of employment the Corporation matched 100% of the employees' contributions to a maximum of 7% of base salary. This Savings Plan provision did not apply to employees whose base salaries were $125,000 and above.

Total corporate contributions under the Savings Plan for 1989 were: (a) Mr. Blair, $36,250, Mr. Butler, $16,667, Mr. Wilson, $10,625, Mr. Bentley, Nil, and Mr. Feick, $11,250; and (b) executive officers as a group, $141,895. Messrs. Blair, Butler, Wilson, Bentley and Feick joined the Savings Plan in 1986, 1987, 1988, 1990 and 1978, respectively. Directors who are not full-time employees are not eligible to participate in the Savings Plan.

Effective January 1, 1990, the Savings Plan was amended and restated as the Savings and Profit Sharing Plan (the "Profit Sharing Plan") and was extended to employees of NOVA Petrochemicals Inc. (a company formed during the reorganization of Polysar Limited and into which Polysar Limited was wound-up effective January 1, 1990) and other affiliates and subsidiaries of the Corporation. All employees who were permanent employees of the Corporation, NOVA Petrochemicals Inc. or certain designated affiliates or subsidiaries on January 1, 1990 were automatically members in the Profit Sharing Plan. Other employees become members upon the completion of one year of continuous service. Employee contributions to the Profit Sharing Plan are not required but are permitted. Corporation contributions are made twice monthly and are immediately vested. Corporate contributions may be allocated to: eligible contributions used to purchase Eligible Common Shares which attract the Share Purchase Incentive Contribution described below and are subject to a hold requirement; ineligible contributions used to buy Common Shares which do not attract the Share Purchase Incentive Contribution and are not subject to the hold requirement; a portfolio of Canadian money market investments; or semi-monthly cash payments. Corporate contributions are described below:

(A) A basic savings contribution equal to 4% of an employee's basic monthly salary;

(B) A profit-sharing contribution of 0% - 6% of basic annual salary. The percentage depends on the business performance of the Corporation in the previous fiscal year with performance being measured against an annual earnings target established by the Management Resources and Compensation Committee of the Board of Directors;

(C) Share Purchase Incentive Contributions of $0.20 for every dollar of the Corporation's contributions and of employee voluntary contributions to a maximum of 4% of salary designated by the employee as eligible for investment in Eligible Common Shares.

Employee Incentive Stock Option Plan

The Employee Incentive Stock Option Plan (1982) (the "Stock Option Plan") was approved by shareholders of the Corporation at the annual meeting of the Corporation on April 26, 1988. The Stock Option Plan was first created effective as of September 10, 1982 and was most recently amended June 23, 1989 by the Board of Directors of the Corporation. On April 25, 1989 the shareholders of the Corporation approved the reservation of an additional 4,658,150 Common Shares for issuance under the Stock Option Plan.

The Stock Option Plan provides that the Board of Directors may grant to officers and employees of the Corporation or its more than 50% controlled direct or indirect subsidiaries (the "Subsidiaries") options to purchase from treasury Common Shares of the Corporation. The number of Common Shares reserved for issuance under the Stock Option Plan was 13,520,950 as at February 23, 1990, subject to adjustments as provided therein. All Common Shares issued upon the exercise of any option are issued as fully paid and non-assessable. The Board of Directors may also, as part of the option, grant a right to an employee to surrender all or part of his right to acquire Common Shares under such option in exchange for receiving, without any further consideration, the number of Common Shares equal to a fraction of the number of Common Shares which could have been purchased with the surrendered portion of the option, based on the ratio of the premium of the current market price over the exercise price to such market price. The Stock Option Plan provides that the Board of Directors may, in respect of any option, specify a number or percentage of Common Shares for which the employee may exercise his option in any specific period, year or number of years.

The purpose of the Stock Option Plan is to provide, through options to purchase Common Shares, incentive for key employees of the Corporation and its Subsidiaries to produce constant improvement in operating results, to remain as employees, to become the owners of Common Shares and to contribute to the growth in value of the Common Shares.

The criteria used for granting options to executive officers consists of: (a) the relative level of success or achievement of the executive officer; (b) the level of responsibility given to a newly appointed executive officer; (c) whether or not the executive officer has been given additional responsibilities; and (d) the number of shares under options then held by an executive officer. In all cases the granting of options is made by the Board of Directors based upon the recommendations of a committee appointed by the Board of Directors (the "Committee").

When options are exercised, the payment for the Common Shares purchased thereunder must be made contemporaneously. The options are generally granted at the closing market price on The Toronto Stock Exchange on the date the grant is made by the Board of Directors.

If any options are surrendered or terminated prior to exercise, the Common Shares represented by such options become available for reallocation under the Stock Option Plan. The Stock Option Plan provides for an adjustment in the number of optioned Common Shares subject to outstanding options thereunder, as well as the number of optioned Common Shares available for grant under the Stock Option Plan, to reflect any stock split, stock dividend or similar capital adjustment of or by the Corporation, or to reflect any reorganization of the Corporation, all at the determination of the Board of Directors.

Use of the Plan

The following table shows for those listed executive officers and for all executive officers as a group during the period January 1, 1989 through December 31, 1989, inclusive: (a) the number of Common Shares subject to options granted; (b) the average exercise price per Common Share; and (c) the net value realized upon the exercise of options:

Name	No. of Shares Subject to Options Granted from January 1, 1989 to December 31, 1989	Average Per Share Exercise Price	Net Value Realized Upon Exercise of Options (1)
S. R. Blair, C.C.	170,000	$8.625	NIL
J. H. Butler	114,000	$8.625	$182,500
W. G. Wilson	204,000	$8.625	$198,450
G. F. Bentley	30,000	$8.625	NIL
J. E. Feick	30,000	$8.625	NIL
15 executive officers as a group	843,000	$8.625	$507,184

Note:

(1) Represents the difference between the market value on the dates of exercises and related option prices.

Compensation of Directors

Each Director who is not a full-time employee of the Corporation is paid a retainer fee of $10,000 per year which is paid quarterly, an attendance fee of $1,500 for each meeting attended and a travel fee of $1,500 for one travel day prior to each meeting attended. Directors who are full-time employees of the Corporation do not receive directors' fees. Directors who are members of the Management Resources and Compensation Committee of the Board of Directors and the Audit Committee of the Board of Directors and who are not full-time employees of the Corporation are paid $1,500 for each committee meeting attended except in the case of the chairman of each such Committee, to whom a fee of $3,000 (including the $1,500 attendance fee) is paid for each meeting attended.

Other Compensation

The aggregate value of all other non-cash compensation paid to executive officers for services rendered in 1989 was approximately $276,000 and did not, in any event, exceed $20,000 per executive officer.

APPOINTMENT OF AUDITORS

It is proposed that Ernst & Young, Chartered Accountants, be appointed to act as Auditors for the current year. Ernst & Young (formerly Clarkson Gordon) has served as Auditors of the Corporation since 1956. Representatives of Ernst & Young are expected to be present at the Meeting and will be given the opportunity to make a statement if they desire to do so. They will also be available to respond to appropriate questions.

SHAREHOLDER PROPOSALS

Shareholder proposals to be considered at the 1991 Annual Meeting of Shareholders of the Corporation must be received at the principal executive offices of the Corporation no later than January 16, 1991 to be included in the proxy statement and form of proxy for such Annual Meeting.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The contents and the sending of this Information Circular - Proxy Statement have been approved by the Board of Directors.

By Order of the Board of Directors

(Signed) S. ROBERT BLAIR, C.C.
Chairman of the Board
and Chief Executive Officer

(Signed) WILLIAM G. WILSON
Executive Vice President
and Chief Financial Officer

Calgary, Alberta
March 13, 1990

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Printed in Canada

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NOVA

1990

Annual

Report

BUILDING

THE

FUTURE

TODAY

Contents

ANNUAL MEETING

NOVA Corporation of Alberta's annual meeting will be held on Tuesday, April 23, 1991, at 10:30 a.m. in the Calgary Convention Centre, 120 Ninth Avenue S.E., Calgary, Alberta.

RAPPORTS ANNUELS EN FRANÇAIS

Veuillez vous adresser au secrétaire de la Société si vous désirez recevoir un exemplaire de la version française de ce rapport.

The Corporation generated $4.7 billion in sales and $185 million in net income on assets of $7 billion. Fully diluted net income per common share was 55 cents compared with 63 cents in 1989.

The Alberta Gas Transmission Division contributed $116 million to NOVA's net income, up 32% from $88 million in 1989. Capital investment to build new pipeline capacity rose to a record $716 million in response to customer requests for increased service.

Profitability of the petrochemicals and plastics divisions improved in the second half of 1990 as a result of higher commodity prices. However, overall conditions for these traditionally cyclical industries remain volatile.

Proceeds from the $1.35 billion sale of NOVA's synthetic rubber operations and other management initiatives were used to reduce long-term obligations for non-cost-of-service operations by 50% to $960 million, or 41% of total non-cost-of-service capitalization.

The quarterly dividend on common shares was maintained at 13 cents per share throughout the year.

CONSOLIDATED FINANCIAL HIGHLIGHTS

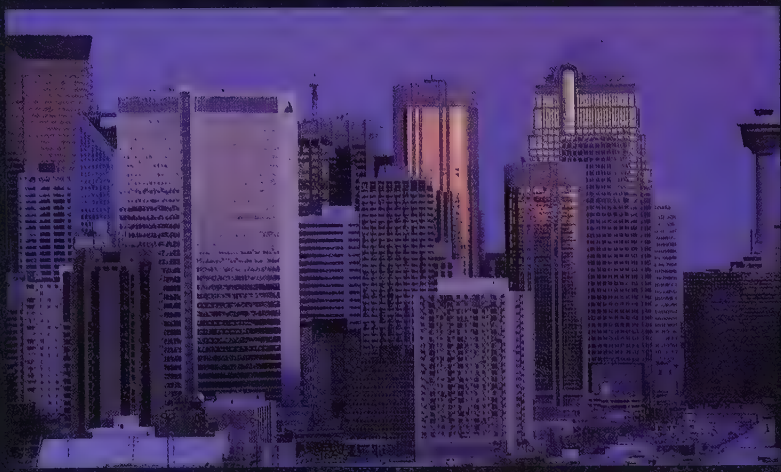
(millions of dollars except for share data)

Year Ended December 31	1989	1990	% Change
Financial			
Revenue	$ 4,840	$ 4,736	(2)
Operating Income	$ 821	$ 708	(14)
Net Income	$ 186	$ 185	(1)
Net Income to Common Shareholders	$ 168	$ 167	(1)
Net Income Per Common Share			
Basic	$ 0.64	$ 0.56	(13)
Fully Diluted	$ 0.63	$ 0.55	(13)
Cash Flow			
Cash from Operations	$ 600	$ 505	(16)
Common Equity*	$ 2,359	$ 2,368	–
Per Share	$ 7.54	$ 7.54	–
Return On Average Common Equity	8.0%	7.1%	(11)
Dividends Per Common Share	$ 0.50	$ 0.52	4

** Includes convertible debentures and warrants*

All dollar figures used in this annual report are in Canadian dollars unless indicated otherwise. On February 25, 1991, the Bank of Canada noon rate for U.S. dollars was reported as U.S. $1.00 = Cdn. $1.1518 and Cdn. $1.00 = U.S. $0.8682. (See exchange rates on page 30.)

Incorporated in the province of Alberta, NOVA is a widely held, shareholder-owned company operating internationally from world headquarters in Calgary, Alberta, Canada. NOVA is building its future principally on pipelines and the manufacturing and marketing of petrochemicals and plastics processed from natural gas and oil. NOVA and its subsidiaries and affiliates employ about 10,000 people.



S. Robert Blair
Chairman and Chief Executive Officer

FINANCIAL RESULTS IN 1990

While revenues and net income for 1990 were little changed from 1989, there were big differences between these two difficult years.

1989 looked very promising at the beginning but after $129 million of income for the first quarter, profits fell away quickly as the petrochemical cycle turned down while interest rates rose. A loss of $19 million was reported for the last half of 1989. 1990 looked tough at the beginning with even higher interest and Canadian/United States dollar exchange rates and the expectation of lower commodity prices. Then NOVA quarterly results improved compared to the last half of 1989 and the fourth quarter benefited from higher commodity prices and lower interest expense on reduced debt.

NOVA had taken stock of this cyclical situation and steps to adjust to it. Production output and efficiencies rose, operating expenses and overheads were controlled and large reduction of non-cost-of-service debt was accomplished rapidly.

During 1990 that debt was reduced by nearly $1 billion to $960 million.

One large source of that debt reduction was the $1,350 million sale of the Rubber Division. The transaction was committed on May 21, 1990 and was closed with excellent dispatch on October 1 under leadership of a small executive team headed by Executive Vice President William Wilson supported by the great cooperation of all NOVA and Bayer A.G. personnel and management.

While reducing non-utility debt we continued to invest in the future of NOVA during 1990 – $744 million in pipelines and $213 million in petrochemicals and plastics.

Hopefully, it is these positive actions that the market has recognized as the share price has strengthened again to stand like most industrials at about two-thirds of previous peak value.

BUSINESS OUTLOOK IN 1991

The challenges and opportunities go on. The year 1991 looks tough too and has started out in a difficult fashion. The unusually warm winter and events in international markets have sent fuel and many other commodity prices falling and the Canadian and U.S. economies are in recession of an uncertain length.

However for NOVA individually, business is mixed and some basic stability continues. Methanol volumes and prices are very good and some other petrochemicals operations are contributing above expectations. This helps to balance sharply lower prices elsewhere. Canadian interest rates are falling fast. Our biggest investment, the pipeline business, and its steady return are growing very rapidly. We are proceeding to invest an additional $520 million this year in pipelines and on a restricted basis, $170 million in petrochemicals and plastics.

NOVA's pipeline business is contributing material growth of profits in every year as new natural gas pipeline plant is added to rate base. The Alberta Gas Transmission Division has reduced its service charge for total return on capital from 12.18% to 12.02% to provide to its customers current savings from lower short-term interest rates. Requests for new service contracts now cover large rate base additions through the 1993 construction year and all indications are of continuing net rate base growth through the mid-1990s.

BOARD AND MANAGEMENT

In the fast changing economic and business world the ability of a corporation to manage change promptly and to execute new plans with care and speed becomes a company value in itself. NOVA's Board, management and professional teams of NOVA staff and advisor firms have proved competence in managing change when timely.

The Board has announced the recent appointment as new members of Sir J. Graham Day of London and Dr. F. Peter Boer of

New York. Also, Mrs. Janice G. Rennie of Edmonton has agreed to be nominated for election to the Board at the 1991 Annual Meeting.

Mr. James H. Butler completed a four year period in NOVA petrochemicals and corporate management in June 1990 and moved to an advisory capacity which is continuing.

NOVA people throughout are committed to meeting all tests with spirit and resolve and I express personally and on behalf of the Board our great appreciation for those colleagues' abilities and dedication to the Corporation and its businesses.

On behalf of the Board of Directors,

Respectfully,

S. R. Blair, C.C.
Chairman and Chief Executive Officer

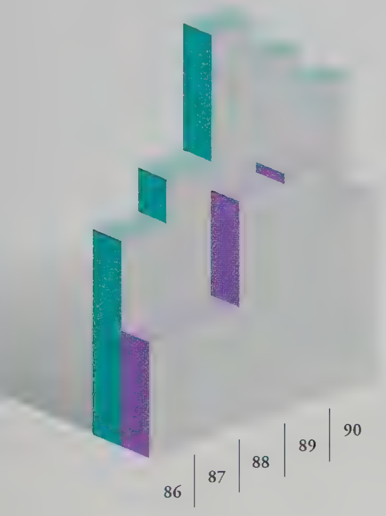
February 21, 1991

During periods of difficult markets, the emphasis in NOVA's petrochemicals and plastics operations is on operational efficiency, quality, service and safety, while positioning key products for future growth and profitability.

NOVA facilities in Canada and the United States produce petrochemicals and plastics that are used to make a wide variety of industrial and consumer products including containers and packaging materials.

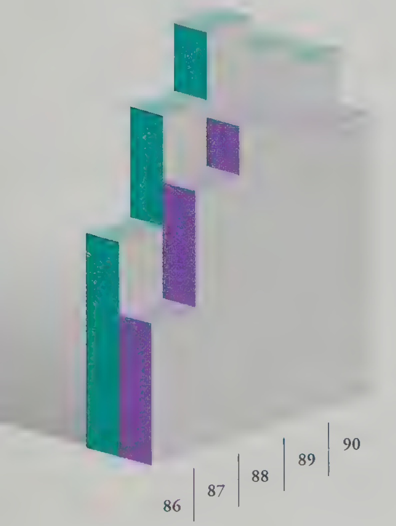
*Polyethylene & Ethylene Prices**
(U.S. cents per pound)
**Industry Data*

Linear-Low Density	26.2	32.1	48.5	42.8	37.4
Ethylene	14.8	15.1	28.8	30.4	24.2



*Polystyrene & Styrene Prices**
(U.S. cents per pound)
**Industry Data*

Polystyrene	31.2	47.5	57.6	52.4	48.9
Styrene	20.7	37.9	45.3	41.7	41.0



Industry Perspective

The widespread downturn in commodity prices for petrochemicals and plastics that began in mid-1989 continued to affect industry profitability in 1990.

Declining margins resulted from slowing demand linked to inventory reduction practices among buyers, coupled with expectations of new capacity additions coming on stream throughout the 1990s.

Throughout the first half of 1990, supplies of some products were kept tight by operational difficulties experienced by some producers other than NOVA and delays in construction of major new facilities. These events slowed the rate of overall price decline. During the second half of 1990, tension in the Middle East caused rapid, erratic upward movement in the world price of oil which led to higher commodity prices for petrochemicals and plastics.

Notwithstanding these events, 1990 performance is widely viewed by the industry as a short-term respite from the downturn, which is expected to continue for the next two years. Operations difficulties experienced by other producers have been resolved, new capacity additions are expected to come on stream in 1991, overall North American economic performance is forecast to decline and reductions in world energy prices are anticipated.

In anticipation of future market volatility, the focus at all NOVA facilities is to keep operating costs low and competitive position strong while maintaining historically high standards of quality, service, safety and environmental responsibility. These standards include the support and practise of Responsible Care, an industry-wide program that demands safe management of products throughout their life cycles, including planning, manufacture, transportation, distribution, use and disposal.

In addition, NOVA is actively involved in programs to address the issues surrounding plastics as a component of the solid waste stream. These programs include participation in recycling joint ventures, development of environmentally friendly plastics resins and strong support for industry associations such as the Environment and Plastics Institute of Canada and the Council for Solid Waste Solutions in the United States.

Review of 1990

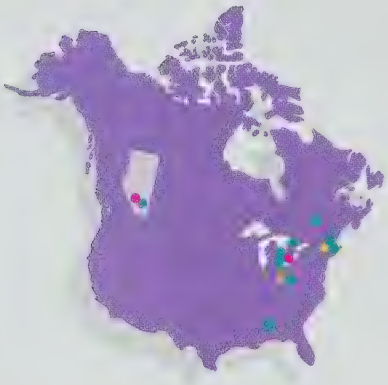
(millions of dollars)

	1989	**1990**	% Change
Assets	$ 4,343	**$ 2,933**	(32)
Revenue	$ 3,366	**$ 3,297**	(2)
Operating Income	$ 511	**$ 373**	(27)

Operating results for NOVA's petrochemicals and plastics operations improved on a quarter-by-quarter basis in the second half of 1990 compared with 1989. Prices were below the levels achieved in 1988, however, and markets continued to be volatile.

All facilities continued to perform reliably, safely and efficiently in 1990.

Facilities in North America



Petrochemicals

Plastics

Performance Polymers

PETROCHEMICALS

The Petrochemicals Division had assets of $2.3 billion, revenue of $2.4 billion and operating income of $286 million in 1990 compared with $2.4 billion, $2.1 billion, and $361 million respectively in 1989.

A broad range of products – ethylene, styrene, propylene, fuel products and methanol – is produced at plant sites in Joffre and Medicine Hat, Alberta; and Sarnia, Ontario. Some of this production is used as feedstock by the Plastics Division; the remainder is sold in Canada, the United States, Europe and the Far East under long-term contracts and on the open market.

PRODUCTION

(millions of pounds, except methanol)

	1989	1990	% Change
Ethylene*			
Joffre	3,200	**3,200**	–
Sarnia	980	**1,230**	26
Styrene	660	**820**	24
Propylene	680	**775**	14
Methanol**	275	**225**	(18)

** In 1990, approximately 2,400 million pounds of ethylene were sold under long-term cost-of-service arrangements, 440 were sold at market-related prices and 1,590 were used internally by NOVA.*

*** Millions of U.S. gallons*

NOVA's two ethylene plants at Joffre operate under long-term supply contracts with third-party customers that provide a stable contribution to earnings.

Ethane feedstock is obtained under long-term contracts and commercial arrangements that provide assured supply and cost stability. These contract arrangements allow NOVA to provide ethylene at a cost lower than the long-term average of other North American suppliers.

At Sarnia, petrochemical feedstocks and other products are produced at NOVA's integrated refinery/petrochemical complex and at its styrene facilities. These facilities operate under full market conditions with selling prices linked to North American merchant markets.

Advanced process technology and supply arrangements are in place to enable NOVA's Sarnia complex to use the most economical feedstocks available and produce the most appropriate product slate.

The average selling price on the U.S. Gulf Coast for ethylene was 24 cents (U.S.) per pound in 1990 compared with 30 cents in 1989. The propylene price was 16 cents (U.S.) compared with 19 cents and the styrene price was 41 cents (U.S.) compared with 42 cents in 1989.

Methanol, produced at three plants at Medicine Hat, is widely used in the construction and transportation industries around the world. Methanol prices strengthened in late 1990 and as a result, production resumed late in the year at the one plant that had been shut down for 18 months. The average selling price on the U.S. Gulf Coast for methanol was 41 cents (U.S.) per U.S. gallon in 1990 compared with 44 cents in 1989.

PLASTICS

The Plastics Division had assets of $670 million, revenue of $1.0 billion and operating income of $61 million in 1990 compared with $551 million, $1.1 billion and $89 million respectively in 1989.

Linear low-density polyethylene resin is produced at Joffre, and low-density and high-density polyethylene are produced at Sarnia. Polystyrene is produced at plant sites in Montreal, Quebec; Cambridge, Ontario; Leominster and Springfield, Massachusetts; Decatur, Alabama; and Addyston, Ohio. High-performance polypropylenes are produced in Marysville, Michigan.

Primary end-uses for these resins include rigid and flexible packaging, industrial containers of all types, multipurpose household bags and a wide variety of consumer goods. Major markets are Canada, the United States and the Pacific Rim.

NOVA RESEARCHERS USE THE LATEST INDUSTRY EQUIPMENT TO PROVIDE CUSTOMERS WITH PRODUCTS BEST SUITED TO THEIR NEEDS.

PRODUCTION
(millions of pounds)

	1989	**1990**	% Change
Linear Low-density Polyethylene	775	**925**	19
Low-density Polyethylene	180	**190**	6
High-density Polyethylene	210	**300**	43
Polystyrene	680	**630**	(7)
Polypropylene	80	**100**	25

In addition, NOVA produces performance-oriented products such as resins for clear plastic applications, silicone products and thermoplastic elastomers. Plants are located in West Haven, Connecticut; and Akron, Ohio. Although operations are small at present relative to NOVA's commodity resins activity, these value-added products command premium prices because of their unique properties. The Plastics Division is structured to bring focus to the growth of this sector.

The Plastics Division was reorganized in 1990 to achieve increased efficiency through integration of sales and marketing activities. Major customer service centres were consolidated in Calgary, Alberta; Toronto, Ontario; and Leominster.

This highly focused service approach was partly responsible for improvements in polyethylene marketing in the United States and Canada. The division achieved new highs in sales and production of all three polyethylene product lines, increasing total sales volumes by about 11% over 1989 and increasing U.S. sales by a significant amount. NOVA's average realized selling price for polyethylene was 37 cents (U.S.) per pound in 1990 compared with 41 cents in 1989.

In the third quarter of 1990, the division began production of higher-value hexene-based polyethylene resins at the Joffre plant site. Later this year, a second pelletizer unit will begin operation at Joffre to allow pelletizing of all linear low-density polyethylene production. These initiatives create opportunities to develop new markets through response to growing demand.

The Sarnia polyethylene plant achieved a safety milestone in 1990 by working 1.5 million man-hours without a lost-time injury. This mark has been reached four times by the Sarnia plant.

As part of ongoing rationalization of polystyrene operations, an expanded facility with annual capacity of about 200 million pounds began operation at Decatur in early 1991. This facility employs state-of-the-art technology to help reduce production costs and produce enhanced products. In addition, it was announced that the polystyrene facility at Cambridge will be closed in July 1991. NOVA's average realized selling price for polystyrene was 49 cents (U.S.) per pound in 1990 compared with 55 cents in 1989.

OUTLOOK FOR 1991

In 1991, NOVA's petrochemicals and plastics operations will focus on efforts to maintain and improve their cost-competitive position within the framework of existing business specialties and facilities.

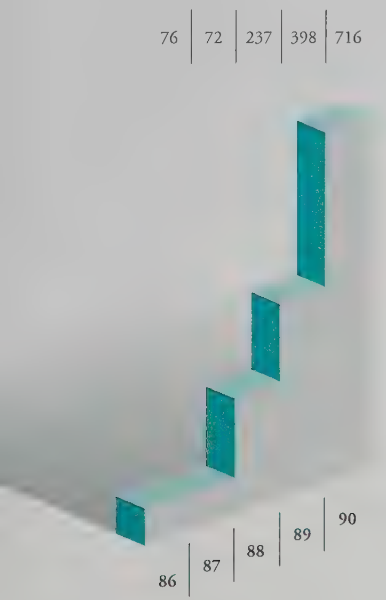
Demand for methanol is strong, particularly in North America, and the Petrochemicals Division will continue to focus on the growing market for the use of methanol as a feedstock for gasoline additives that enhance octane levels and conform to clean air legislation.

The Plastics Division will concentrate on achieving lower production costs through technology and efficient management, and expansion of product lines as market and economic conditions permit. The division will continue its major focus on improving sales and service levels.

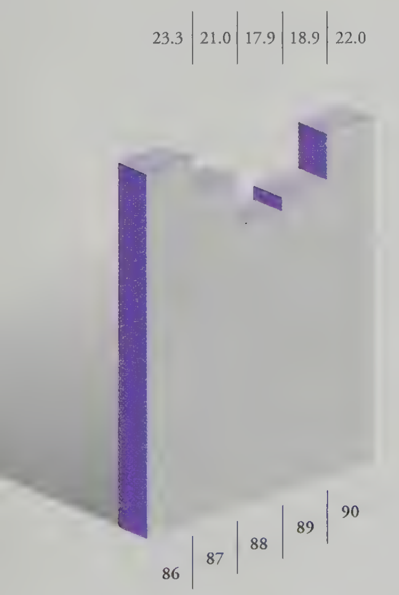
NOVA's Alberta Gas Transmission Division contributed $116 million to net income in 1990, up 32% from $88 million in 1989. The average AGTD rate base increased to $1.95 billion from $1.53 billion as a result of ongoing construction activity.

NOVA's Alberta pipeline system is the primary transportation system for collection of natural gas in Alberta and delivery to border points for shipment outside the province.

Alberta System
*Capital Expenditures**
(millions of dollars)
**Net of retirements*



Alberta System
Unit Cost-of-Service
Transportation Charge
(cents per thousand cubic feet)



Industry Perspective

The Canadian natural gas industry continues to build momentum toward additional growth in gas sales during the 1990s because of strong and growing demand in the United States and a steadily expanding market in Canada.

NOVA's Alberta pipeline system is the primary transportation system through which gas is collected for use in Alberta and delivered to border points for shipment outside the province. Historically, NOVA has transported more than 80% of marketed Canadian gas production.

Deliveries have increased by more than 50% in the past 10 years with new annual record volumes set in each of the past four years. NOVA estimates that deliveries will increase by an additional 35% over the next 10 years.

In Canada, growth in demand is expected to be between 2% and 3% per year over the next 10 years, generally in line with estimates of overall economic growth. Alberta and Ontario will remain Canada's dominant gas markets.

Significant expansion of the gas export market in the United States is expected to continue as a result of industry marketing initiatives linked to increased U.S. consumption and deregulated prices for Canadian exports.

By the middle to late 1990s, annual Canadian gas exports to the United States are forecast to reach about 2.0 trillion cubic feet compared with about 1.4 trillion cubic feet in 1990.

NOVA expects gas deliveries to the United States to increase by approximately 100 billion cubic feet per year over the years 1990-1993 and by an additional 180 billion cubic feet in 1994.

Additional gas sales require the construction of new pipeline facilities both inside and outside of Alberta. Portions of these expansion programs are under way at present – including expansion of NOVA's Alberta system – and more activity is expected as necessary regulatory approvals are obtained in Canada and the United States.

As a result, NOVA anticipates a $2.6 billion expansion of its Alberta system through 1995, to meet customer demand.

Review of 1990

(millions of dollars)

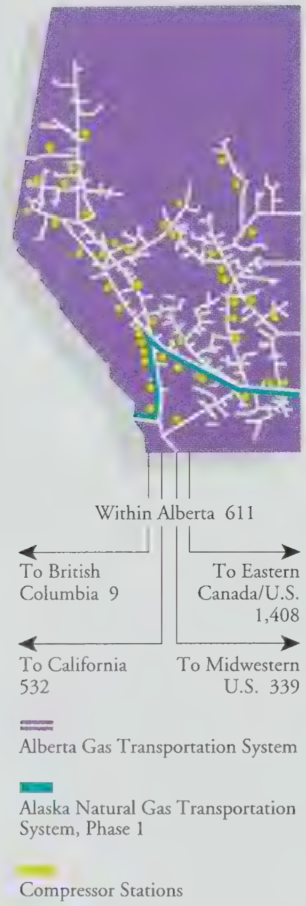
	1989	**1990**	% Change
Assets	$ 2,526	**$ 3,156**	25
Revenue	$ 1,313	**$ 1,439**	10
Operating Income	$ 293	**$ 335**	14

NOVA's pipeline and gas marketing businesses include the Alberta Gas Transmission Division (AGTD), 100% owned, and 50% ownership of Foothills Pipe Lines Ltd. and Pan-Alberta Gas Ltd.

PIPELINES

At December 31, 1990, the Alberta system comprised 10,500 miles of pipeline, 44 compressor stations and 924 major receipt and delivery points. The average rate base for 1990 for this cost-of-service business was approximately $2 billion, with an average after-tax return of 13.65% on 32% common equity.

Alberta Gas Transportation & Deliveries in 1990
(billion cubic feet - 2,899)



Total volumes rose 2% to 2.90 trillion cubic feet compared with 2.83 trillion cubic feet in 1989. Major growth centres for Alberta gas sales continued to be the midwestern United States and the California markets. The Canadian market remained stable.

Exports from Alberta totalled 2.29 trillion cubic feet compared with 2.19 trillion cubic feet in 1989. These deliveries included 532 billion cubic feet to California, and about 339 billion cubic feet to the U.S. midwest via the Foothills pipeline system. Deliveries in Alberta totalled 611 billion cubic feet compared with 647 billion cubic feet in 1989.

A record $716 million (net of retirements) was invested in expansion of the Alberta system, reflecting the efforts of NOVA's customers to position themselves for future gas sales. NOVA's delivery capability increased to 10.6 billion cubic feet per day from 9.7 billion cubic feet per day in 1989.

Investment focused on increased compression capacity in new and existing compressor facilities and the construction of new pipelines to accommodate requests from natural gas shippers and producers for increased receipt and delivery capability.

About 800 miles of pipeline were installed in 1990. Four new compressor stations and unit additions to three existing facilities were completed and put into operation.

These new facilities incorporate the latest technological innovations, including magnetic bearings and dry seals that increase operating efficiency and safety and reduce maintenance costs by allowing compressors to operate without oil lubrication systems.

Also in 1990, NOVA was the first company in the western hemisphere to install on its system a newly developed high-strength pipe that allows the use of less steel without compromising pipeline performance.

AGTD logged one million man-hours of work in 1990 without a lost-time injury for the second time in two years. This accomplishment represents a rarely achieved industry standard of excellence in North America, and it is particularly notable in 1990, given NOVA's significant level of construction activity.

As part of NOVA's ongoing commitment to enhance business operations, AGTD aims to ensure that gas transmission facilities are reliable, safe and cost-effective. AGTD strives to minimize environmental risk and impact of constructing and operating pipeline facilities; and to create a work environment that attracts and retains quality people.

Foothills is the Canadian sponsor of the Alaska Natural Gas Transportation System, a pipeline project to transport Alaskan and northern Canadian gas to the United States. In the early 1980s, southern portions of the system were built to deliver Canadian gas to markets in the United States.

At December 31, 1990, Foothills' eastern and western legs comprised 528 miles of pipeline, five compressor stations, four meter stations and a decompression/recompression facility. NOVA's share of the average rate base (in service and under construction) for this cost-of-service business was $292 million,

NOVA EMPLOYEES MONITOR SOIL QUALITY AT A PIPELINE COMPRESSOR STATION AS PART OF NOVA'S OVERALL COMMITMENT TO RIGOROUS SAFETY AND ENVIRONMENTAL POLICIES.

which earned an after-tax return of 14.25% on an approximate 25% common equity component.

In 1990, Foothills transported approximately 425 billion cubic feet of gas to the United States, which ranks the company as one of Canada's largest carriers of gas for export.

The system's western leg operated at 100% of contracted volumes for the sixth consecutive year and the eastern leg operated at approximately 80% of contracted volumes. A $70 million expansion of the system was completed in 1990.

Foothills has filed an application with the Canadian National Energy Board to build a pipeline along the Mackenzie Valley to transport northern Canadian gas from the Mackenzie Delta for delivery to southern markets. This route is an alternative to Foothills' Dempster Highway pipeline project application, which was originally filed in 1979 and remains before the National Energy Board.

GAS MARKETING

Pan-Alberta is a major Canadian marketer of gas to the United States with about 25% of total Canadian exports under contract. Pan-Alberta contracts with more than 400 Canadian producers for the purchase of gas. About 90% of sales are to the United States.

The company provides gas producers and consumers with a complete range of flexible transportation, regulatory and support services.

During 1990, Pan-Alberta continued to benefit from strong sales performance. Total sales were approximately 410 billion cubic feet compared with 390 billion cubic feet in 1989.

These continuing high sales volumes reflect the company's ability to meet market competition through consistently high deliveries to its long-term customers and through spot market sales.

Pan-Alberta's gas purchase agreements do not involve take-or-pay liabilities. Although substantial revenue is reported for this business, the contribution to NOVA's operating income is relatively small.

OUTLOOK FOR 1991

NOVA's Alberta system, operating at record levels for the past four years, is expected to continue to transport high volumes of gas in 1991. Customer requests for increased receipt and delivery capacity will result in capital spending for new facilities of approximately $520 million in 1991.

Foothills will continue its program to expand the eastern and western legs of its pipeline system, with total capital expenditures estimated at approximately $260 million by the end of 1993. In 1990, Foothills acquired a 22% interest in the Alaskan portion of the Alaska Natural Gas Transportation System through the purchase of a subsidiary of United Gas Pipe Line Company of Houston. This acquisition demonstrates the company's ongoing commitment to completion of the system.

Pan-Alberta expects its high sales to continue in 1991 and to strengthen in the future. Sales growth is constrained by the current capacity limits of existing pipelines to deliver more gas into the United States.

NOVA's investments include Husky Oil Ltd., 43% owned, and Novacorp International Consulting Inc., 100% owned.

PETROLEUM

Headquartered in Calgary, Alberta, Husky's assets and business activities are located primarily in western Canada. The company also has interests on Canada's East Coast offshore and internationally. Husky is involved in exploring, developing, producing, refining and marketing crude oil, natural gas, natural gas liquids, sulphur and refined petroleum products.

The company ranks among Canada's top producers of crude oil, natural gas and sulphur with net proved and probable reserves of 223 million barrels of crude oil and natural gas liquids, 1.6 trillion cubic feet of natural gas, and 6.8 million long tons of sulphur.

In 1990, a combination of successful development programs and asset rationalization enhanced Husky's strong base of conventional reserves in western Canada. International activities were increased to include exploration programs in Africa, Australia and southeast Asia.

Construction of the Bi-Provincial Upgrader, near Lloydminster, Saskatchewan, progressed on schedule. When completed in late 1992, the upgrader will produce approximately 46,000 barrels a day of synthetic crude oil from heavy oil feedstock.

For additional information on Husky, see pages 61 and 62.

*Crude Oil Prices**
(U.S. dollars per barrel)
**West Texas Intermediate*

INTERNATIONAL CONSULTING

Novacorp provides technologically advanced engineering and operating expertise in pipeline transmission systems and petrochemicals to clients around the world. Novacorp's expertise is gained through NOVA's extensive involvement in all phases of pipeline project services and petrochemicals industry activities. Novacorp also builds, owns and operates special-purpose pipelines in Alberta that provide customers with hydrocarbon transportation facilities. Six contracts for facilities of this type were awarded during 1990.

The international market for Novacorp's skills and products has strengthened significantly over the past two years. In 1990, Novacorp performed work related to approximately 145 consulting and engineering contracts in 18 countries around the world.

Major contracts include natural gas pipeline construction projects currently under way in Malaysia and Turkey. In Malaysia, Novacorp is assisting with operation of the first phase of the system and continuing to provide services for ongoing construction. In Turkey, Novacorp is involved with training programs related to system operation and preparation of feasibility studies regarding possible future expansion of the system.

OUTLOOK FOR 1991

Husky will continue to build its asset base through development of opportunities to create shareholder value and enhance further its strategic position in the North American and international energy markets. Development of the Bi-Provincial Upgrader project will continue with the peak construction period beginning in the summer of 1991.

Novacorp expects the international consulting market to remain strong in 1991. The company will continue to focus on major pipeline engineering and petrochemicals construction projects around the world. Late in 1990, Novacorp was awarded its first major engineering services contract in the United States and the company plans to expand its focus on the U.S. market in 1991.

NOVA WELCOMES QUESTIONS FROM SHAREHOLDERS AND POTENTIAL INVESTORS. PLEASE TELEPHONE OR WRITE TO SENIOR OFFICERS OR THE INVESTOR RELATIONS MANAGER AT NOVA'S HEADQUARTERS IN CALGARY, ALBERTA, CANADA.

Net Income Per Common Share for the Year
(dollars)

Literature on the Corporation's business, including the Form 10-K, may be obtained without charge by writing or by calling NOVA's toll-free number – 1-800-661-8686. The toll-free number may be used in Canada (outside of Calgary) and in the continental United States.

SHARE ISSUES

NOVA common shares are listed on the Toronto, Montreal, Alberta, New York and London stock exchanges and the Swiss stock exchanges in Geneva, Zurich and Basle.

At December 31, 1990, approximately 300 million common shares were outstanding and there were approximately 44,000 registered shareholders of common shares.

In addition, five preferred share issues were outstanding. These issues are listed on the Toronto, Montreal (7.60% and Variable Rate only) and Alberta stock exchanges.

SHARE REGISTRATION

Common shares are transferable at the Vancouver, Edmonton, Calgary, Regina, Winnipeg, Toronto and Montreal offices of National Trust Company; the Canadian Imperial Bank of Commerce (New York); and the Canadian Imperial Bank of Commerce in London, England.

Preferred shares are transferable at the offices of Montreal Trust Company in Vancouver, Calgary, Edmonton, Regina, Winnipeg, Toronto, Montreal and Halifax.

NOVA's 1996 warrants are transferable at the Vancouver, Edmonton, Calgary, Regina, Winnipeg, Toronto, Montreal and Halifax offices of Montreal Trust Company.

SHARE DESIGNATIONS

NOVA's common share issues are designated in newspaper listings as "Nova" or a variation of the Corporation's full legal name. NOVA's preferred shares and warrants are designated as follows:

Nova E	p	7-3/4%
Nova F	p	9-3/4%
Nova G	p	9.76%
Nova H	p	7.60%
Nova O	p	Variable Rate
Nova W		1996

"NVA" is the symbol assigned to NOVA by the stock exchanges in Canada and the New York Stock Exchange.

DIVIDEND REINVESTMENT PLAN

NOVA's dividend reinvestment and share purchase plan provides a convenient method for shareholders in Canada and the United States to acquire common shares by reinvestment of dividends on all or some of their NOVA common and preferred shares without brokerage or administrative fees. Additional information may be obtained from the transfer agent charged with plan administration: National Trust Company, Corporate Trust Services, Suite 1008, 324 Eighth Avenue S.W., Calgary, Alberta, T2P 3B2.

NON-RESIDENT INVESTORS

Dividends paid to shareholders outside of Canada are subject to Canadian non-resident withholding tax, generally at the rate of 15% for the United States and other countries where Canadian tax treaties apply, and 25% for non-treaty countries. Certain exemptions or refunds related to the tax may be available to residents of the United States. Shareholders should consult their tax advisors.

Corporate values create the base for long-term prosperity and growth. NOVA values its ability to compete worldwide from a Canadian base, and its progressive approach to health, safety, environment, research, technology and human resources.

Through resources dedicated to areas such as research and environmental concern, NOVA works to improve the quality of life in communities where business is conducted.

HEALTH, SAFETY AND ENVIRONMENT

NOVA is committed to the operation of its businesses at a standard that will establish the Corporation as an industry leader in the protection of employees and the public.

Through established policies and procedures, operating units aim to meet or exceed all applicable laws and standards. In addition, NOVA supports the environmental codes of practice established by groups such as the Canadian Chemical Producers' Association, the Chemical Manufacturers' Association in the United States and the Canadian Petroleum Association.

In 1990, NOVA commissioned an external environmental audit of facilities and operations. The audit complements NOVA's internal programs by helping to focus both capital and operating expenditures in the most appropriate manner to address pollution abatement and control, product and process toxicology, occupational health, industrial hygiene and safety.

In 1990, NOVA had capital expenditures of $63 million and operating expenditures of $20 million related to health, safety and environment. In 1991, NOVA anticipates capital expenditures of $58 million and operating expenditures of $31 million.

RESEARCH AND TECHNOLOGY

Conducted at facilities in Canada and the United States, research and technology activities allow development of value-added products that meet specific customer needs. This is an essential component of NOVA's ability to achieve and maintain its position as a preferred supplier of goods and services.

A comprehensive approach is undertaken, working in research areas covering NOVA's pipelines, petrochemicals and plastics operations. At present, major activity areas include on-site waste management programs, monitoring of emissions and plastics decomposition.

The research group employs about 250 scientists, engineers and technical support staff. In 1990, NOVA spent approximately $34 million on research and development activities and an additional $16 million on product support activities related to improving existing products, services and processes. In 1991, comparable expenditures are estimated respectively at $34 million and $12 million.

HUMAN RESOURCES

The highly trained, productive NOVA work force shares and supports an entrepreneurial business style that values leadership, innovation, planning and hard work. NOVA believes in building and sustaining technical competence, management and leadership skills, and personal, professional and corporate integrity. The Corporation practises non-discriminatory hiring, compensation and employee development policies that reinforce performance as the key to career development.

CORPORATE CONTRIBUTIONS

NOVA supports non-profit activities designed to support the quality of life in communities in which it operates. Primary emphasis is directed to health and welfare, education and the environment. In 1990, major initiatives included support for charities such as the United Way, litter clean-up campaigns in Alberta and Ontario, and donations to promote education in disciplines that will benefit NOVA operations.

NOVA REPORTS ITS FINANCIAL STATEMENTS IN FIVE BUSINESS SEGMENTS: PETROCHEMICALS, PLASTICS AND RUBBER; PIPELINES; GAS MARKETING; PETROLEUM; AND OTHER BUSINESSES.

This discussion and analysis of financial condition and results of operations for the three years ended December 31, 1990, should be read in conjunction with the consolidated financial statements and related notes in this annual report.

RESULTS OF OPERATIONS

(millions of dollars; except for per share data)	1988	1989	1990
Consolidated Net Income	$ 396	$ 186	$ 185
Preferred Share Dividend Entitlement	(22)	(18)	(18)
Net Income to Common Shareholders	$ 374	$ 168	$ 167
Average Number of Common Shares (millions)	229	261	299
Net Income Per Common Share			
Basic	$ 1.63	$ 0.64	$ 0.56
Fully Diluted	$ 1.54	$ 0.63	$ 0.55

Consolidated net income of $185 million in 1990 was at the same level as 1989. Earnings from pipelines were up by $23 million as a result of the increase in the investment base of the Alberta Gas Transmission Division on which the rate of return is applied. Lower commodity prices combined with higher feedstock costs reduced earnings in petrochemicals, plastics and rubber. In 1990, the Corporation realized a net gain of $30 million on a number of investment transactions.

On October 1, 1990, NOVA completed the sale of its rubber business. This transaction reduced total assets by approximately $1.6 billion and provided approximately $1.25 billion of cash which was applied to reduce non-cost-of-service debt. In addition, the purchaser assumed approximately $100 million of debt related to the rubber business.

Net income in 1990 was reduced by a $15 million charge to reduce the carrying value of petroleum-based inventory held on December 31, 1990, in order to reflect lower prices of crude oil subsequent to the year-end.

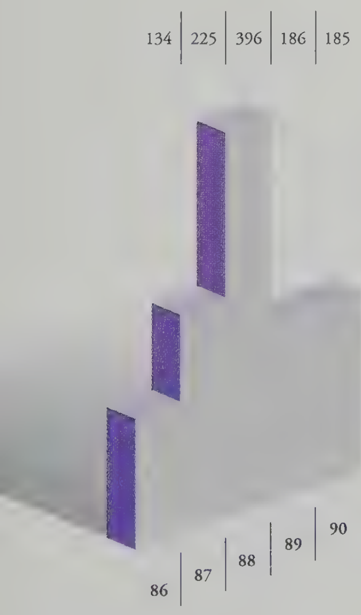
Consolidated net income of $186 million in 1989 was down $210 million compared with 1988, principally as a result of the decline in selling prices for petrochemicals and plastics products and higher interest expense due to increased debt levels as a result of investments in 1988. Consolidated net income in 1988 of $396 million reflected the strong performance from NOVA's petrochemicals and plastics businesses. Acquisitions in these businesses in 1988 added $136 million of net income in that year.

The decline in net income per common share in 1989 and 1990 was affected by the increase in weighted average number of common shares outstanding resulting from the issuance of common shares in 1988 as part of the consideration on the acquisition of Polysar and a rights offering in September 1989.

In September 1988, NOVA acquired Polysar. The consolidated financial statements include the effect of 100% ownership of Polysar from July 1, 1988, the date on which NOVA, for accounting purposes, effectively controlled Polysar. In addition, equity earnings of $29 million from Polysar were recorded for the period prior to July 1, 1988, based on NOVA's ownership during that period.

The effects on net income arising from differences in generally accepted accounting principles in Canada and the United States are outlined in Note 20 to the consolidated financial statements.

Consolidated Net Income for the Year
(millions of dollars)



PETROCHEMICALS, PLASTICS AND RUBBER

Profitability of this segment is primarily influenced by commodity prices for its feedstock and end products which are set in the marketplace based upon the forces of supply and demand. The Corporation has little control over these forces and must work at increasing operating efficiency to improve profit margins. The major portion of the year-end adjustment to reduce petroleum-based inventory values is related to this segment.

In 1989, the Corporation reorganized this segment into three divisions: the Petrochemicals Division, the Plastics Division and the Rubber Division. Financial information and discussion on each of these divisions follows:

PETROCHEMICALS DIVISION

(millions of dollars; except for prices)	1988	1989	**1990**
Revenue			
Ethylene	$ 1,195	$ 1,582	**$ 1,814**
Styrene	223	359	**420**
Methanol	88	156	**120**
	1,506	2,097	**2,354**
Intrasegment Eliminations	(479)	(664)	**(709)**
	$ 1,027	$ 1,433	**$ 1,645**
Operating Income			
Ethylene	$ 235	$ 300	**$ 218**
Styrene	65	49	**68**
Methanol	35	12	**–**
	$ 335	$ 361	**$ 286**
Depreciation	$ 85	$ 133	**$ 138**
Capital Expenditures	$ 77	$ 168	**$ 77**
Identifiable Assets	$ 2,506	$ 2,360	**$ 2,263**
Average U.S. Gulf Coast Prices			
Ethylene (U.S. cents/lb)	$ 0.29	$ 0.30	**$ 0.24**
Propylene (U.S. cents/lb)	0.17	0.19	**0.16**
Styrene (U.S. cents/lb)	0.45	0.42	**0.41**
Methanol (U.S. cents/USG)	0.56	0.44	**0.41**

Ethylene and styrene prices have been generally declining over the past two years. Further reduction is expected as new capacity comes on stream and demand decreases as a result of the current recession. However, these prices were higher than they would have been otherwise in the second half of 1990 due to competitor production problems and the effect of the Iraqi invasion of Kuwait on feedstock and commodity selling prices. Ethylene and styrene sales volumes increased in 1990 compared with 1989.

Demand for methanol is increasing, and while average selling prices for 1990 were lower than 1989, selling prices in the fourth quarter of 1990 strengthened considerably, gaining approximately 40% from fourth quarter 1989 levels. Industry capacity increased in 1990; however it is not expected to increase in 1991. One of the growing uses of methanol is in the

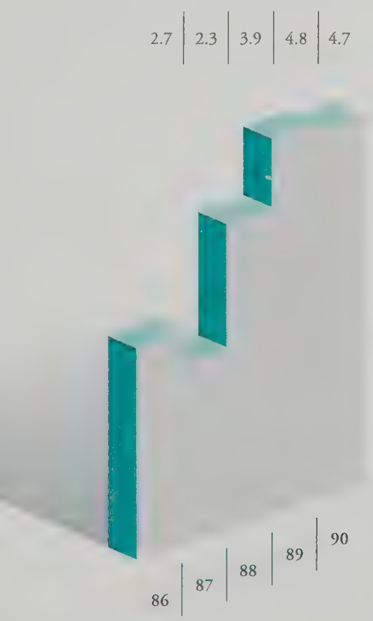
production of methyl tertiary butyl ether, an octane enhancer for gasoline. Increased demand and price improvements for methanol are expected as lead is phased out as an octane enhancer.

Increases in revenue from 1988 to 1989 were primarily due to the acquisition of the ethylene and styrene operations of Polysar in mid-1988 and the methanol business in August 1988. Margins were reduced in 1989 as a result of increases in industry capacity coupled with reduced demand.

PLASTICS DIVISION

(millions of dollars; except for prices)	1988	1989	1990
Revenue			
Polyethylene	$ 733	$ 593	$ 612
Polystyrene	261	467	363
Other	34	61	36
	$ 1,028	$ 1,121	$ 1,011
Operating Income			
Polyethylene	$ 270	$ 49	$ 56
Polystyrene	40	42	13
Other	(1)	(2)	(8)
	$ 309	$ 89	$ 61
Depreciation	$ 19	$ 27	$ 30
Capital Expenditures	$ 24	$ 68	$ 88
Identifiable Assets	$ 645	$ 551	$ 670
Average Realized Selling Prices			
Polyethylene (U.S. cents/lb)	$ 0.51	$ 0.41	$ 0.37
Polystyrene (U.S. cents/lb)	0.62	0.55	0.49

Consolidated Revenue for the Year
(billions of dollars)



The Plastics Division has been experiencing a decline in operating income over the past two years primarily due to decreased selling prices.

In 1990, polyethylene demand and worldwide production capacity increased leaving prices relatively stable, but slightly lower compared with 1989. Increased sales volumes more than offset this decrease in average selling prices. Worldwide production capacity is expected to be increased further over the next two years. Demand will likely follow general trends in the performance of the North American economy. Profits from polyethylene have also been lower in 1989 and 1990 due to higher feedstock costs at the low- and high-density polyethylene plant.

In 1988, polyethylene prices reached record levels as producers could not keep up with the growing demand for this product. In 1989, however, production capacity increased and demand for polyethylene declined. This caused prices to drop sharply.

Falling demand for polystyrene products during 1989 and 1990 led to a decline in selling prices during the period. A temporary interruption of feedstock supply early in 1990 resulted in a $10 million reduction in operating income which, combined with lower selling prices and decreased sales volumes, caused the reduction in operating income. Polystyrene and other plastics operations were acquired in July 1988, and therefore 1988 figures represent only six months

activity. In order to stimulate demand for polystyrene products, NOVA is actively involved in promoting public awareness of the benefits of these products, including the environmental benefits of lower energy requirements to produce polystyrene products and their recyclability. NOVA is a major contributor in the construction of several recycling facilities in North America.

RUBBER DIVISION

(millions of dollars)	1988	1989	**1990**
Revenue	$ 417	$ 812	**$ 641**
Operating Income	$ 37	$ 61	**$ 26**
Depreciation	$ 31	$ 55	**$ 44**
Capital Expenditures	$ 44	$ 81	**$ 48**
Identifiable Assets	$ 1,393	$ 1,432	**$ –**

The Rubber Division, which was acquired in mid-1988, was sold on October 1, 1990. Operating income in 1990 includes the results for the nine months ended September 30, 1990. The $26 million nine-month operating income compares with $46 million earned in the same period of 1989 and $61 million earned in the full year of 1989. Operating income was adversely affected by the general downturn in the automotive industry and higher feedstock costs.

PIPELINES

(millions of dollars)	1988	1989	**1990**
Revenue			
Alberta Gas Transmission Division	$ 524	$ 569	**$ 670**
Foothills Pipe Lines	92	90	**84**
Trans Québec & Maritimes Pipelines*	36	35	**–**
Other	8	8	**8**
	660	702	**762**
Intrasegment elimination	(33)	(44)	**(52)**
	627	658	**710**
Intersegment elimination	(121)	(120)	**(121)**
	$ 506	$ 538	**$ 589**
Operating Income			
Alberta Gas Transmission Division	$ 201	$ 204	**$ 269**
Foothills Pipe Lines	55	56	**56**
Trans Quebéc & Maritimes Pipelines*	25	24	**–**
Other	5	4	**5**
	$ 286	$ 288	**$ 330**
Contribution to Net Income			
Alberta Gas Transmission Division	$ 75	$ 88	**$ 116**
Foothills Pipe Lines	17	16	**16**
Trans Quebéc & Maritimes Pipelines*	7	6	**–**
Other	1	1	**2**
	$ 100	$ 111	**$ 134**

(millions of dollars)	1988	1989	1990
Capital Expenditures**			
Alberta Gas Transmission Division	$ 237	$ 398	$ 716
Other	5	3	28
	$ 242	$ 401	$ 744
Identifiable Assets			
Alberta Gas Transmission Division	$ 1,553	$ 1,896	$ 2,525
Foothills Pipe Lines	458	457	479
Other	236	14	28
	$ 2,247	$ 2,367	$ 3,032

** Excluded from 1990 results as investment held for sale.*
*** Net of retirements.*

The pipeline business, which is regulated by various governmental or regulatory bodies, operates under cost-of-service billing arrangements which provide for recovery of costs and an assured rate of return. The net income contribution from this business is discussed in more detail under Cost-of-Service Businesses (see page 25).

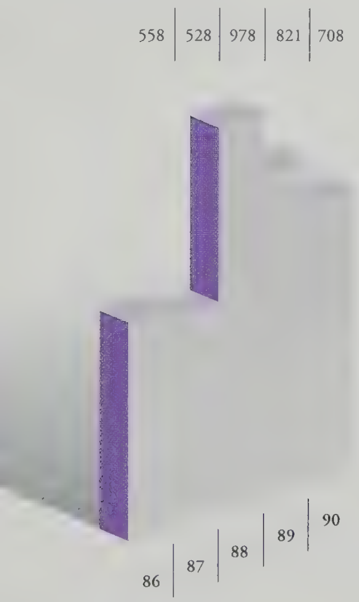
Revenue and net income from the Alberta Gas Transmission Division have increased as a result of a growing investment base and increases in the approved rate of return on equity from 13.25% to 13.50% in April 1989 and to 13.75% in June 1990. The investment base increased due to the expansion of the division's pipeline system in response to growing customer demand for the transportation of natural gas. This demand is expected to continue to increase as Alberta gas producers gain access to California and northeastern United States markets. NOVA anticipates capital expenditures of approximately $2.6 billion through 1995 to meet this demand.

GAS MARKETING

(millions of dollars; except for volumes and prices)	1988	1989	1990
Revenue	$ 832	$ 775	$ 850
Operating Income	$ 5	$ 5	$ 5
Natural Gas Sales Volumes (bcf)	398	390	409
Natural Gas Prices (per mcf)	$ 2.09	$ 1.99	$ 2.08

NOVA's gas marketing operations are carried out by Pan-Alberta, a 50.005% owned subsidiary. Pan-Alberta contracts with gas producers for the purchase of natural gas throughout Alberta and for the sale of gas to markets outside of Alberta. The purchase agreements do not involve take-or-pay liabilities. Although substantial revenue is reported for this business, the contribution to NOVA's operating income is relatively small.

Consolidated Operating Income for the Year
(millions of dollars)



PETROLEUM

(millions of dollars; except for volumes and prices)	1988	1989	1990
Loss before Asset Sales*	$ (21)	$ (21)	$ (10)
Gain on Sale of Assets*	–	13	16
Net Income (Loss)*	$ (21)	$ (8)	$ 6
Investment in Husky	$ 629	$ 621	$ 627
Average Net Production/Sales per day**			
Light/medium oil production (thousands of barrels)	16.9	25.0	20.5
Heavy oil production (thousands of barrels)	25.5	21.3	21.6
Natural gas sales (millions of cubic feet)	94.4	185.5	165.3
Sulphur sales (thousands of long tons)(1)	1.3	2.2	1.7
Average Selling Prices(2)			
Light/medium oil (per barrel)	$ 16.08	$ 20.56	$ 25.35
Heavy oil (per barrel)	$ 9.57	$ 13.24	$ 15.52
Natural gas (per mcf)	$ 1.46	$ 1.42	$ 1.49
Sulphur (per long ton)(1)	$ 82.71	$ 71.42	$ 61.32

* *NOVA's proportionate share of Husky's results on a successful efforts basis, adjusted for amortization of purchase price discrepancy.*

** *Husky's share of production/sales, net of royalties.*

(1) Excludes brokered sulphur sales.

(2) Excludes the impact of forward hedging program.

NOVA's petroleum segment consists of a 43% investment in Husky Oil Ltd. which is accounted for by the equity method. Under this method NOVA records its proportionate share of Husky's results under the caption "equity in earnings (losses) of affiliates" and "gain (loss) on investments". Summarized financial information for Husky is provided in Note 3 to the consolidated financial statements and information on Husky's landholdings and reserves is provided on pages 61 and 62.

In 1990, NOVA recorded net income of $6 million from its investment in Husky compared with losses of $8 million in 1989 and $21 million in 1988. This improvement is attributable mainly to gains recorded on the sale of certain oil and gas properties in 1989 and 1990. The net loss, excluding the gain on sale of assets, was $11 million lower in 1990 compared with 1989. Higher selling prices during 1990 offset the effects of lower production. Interest expense decreased as a result of a reduction in long-term debt. Offsetting these improvements was a decrease in margins from downstream operations as a result of higher crude oil costs.

Production increased in 1989 primarily as a result of acquiring Canterra Energy Ltd. in September 1988 and decreased in 1990 as a result of the divestiture of oil and gas properties.

Husky's exploration program and capital projects, including the heavy oil upgrader project in Lloydminster, Saskatchewan, are expected to be financed through Husky's future cash flow and existing credit facilities.

COST-OF-SERVICE BUSINESSES

The Corporation's income and cash flow within the pipeline segment and a substantial portion of the Alberta petrochemicals business are generated from cost-of-service operations. These businesses, which are regulated by various governmental or regulatory bodies, operate under billing arrangements which provide for the recovery of reasonable and necessary operating expenses, costs of feedstock and fuel, depreciation, amortization, income and other taxes, net foreign exchange gains and losses in respect of debt service and an assured return on the investment. Accordingly, the income contribution is entirely dependent on the level of investment and the return on that investment. (See the supplemental information on cost-of-service activities on pages 64 and 65.)

The investment and return on these businesses for 1988 through 1990 were as follows:

	NOVA's Share of Average Investment			Deemed Common	Net Income		
(millions of dollars)	1988	1989	**1990**	Equity	1988	1989	**1990**
Pipelines							
Alberta Gas Transmission Division							
Return on Common Equity(1)	$1,380	$1,526	**$1,950**	32%	$ 59	$ 66	**$ 85**
Preferred Equity					10	9	**8**
Plant Under Construction					6	13	**23**
					75	88	**116**
Foothills Pipe Lines							
Phase I(2)	$ 306	$ 288	**$ 292**	25%	12	12	**13**
Phase II					5	4	**3**
					17	16	**16**
TQM Pipelines(3)	$ 192	$ 185	**$ –**	25%	7	6	**–**
Other					1	1	**2**
					100	111	**134**
Petrochemicals Division							
Ethylene Plants(4)	$ 628	$ 614	**$ 599**		36	35	**38**
Other					7	6	**8**
					43	41	**46**
Net Income Contribution					$ 143	$ 152	**$ 180**
Identifiable Assets					$2,769	$2,896	**$3,636**

(1) After-tax return 1988 - 13.25%; 1989 - average of 13.44%; 1990 - average of 13.65%.
(2) After-tax return 1988 to 1990 - 14.25% plus an incentive return of 2%.
(3) After-tax return - 13.75%. Excluded from 1990 results as investment held for sale.
(4) After-tax return is 20% on a deemed equity position which averaged 29.3% in 1988, 29.8% in 1989 and 31.7% in 1990.

Consolidated Assets at Year End
(billions of dollars)

INTEREST

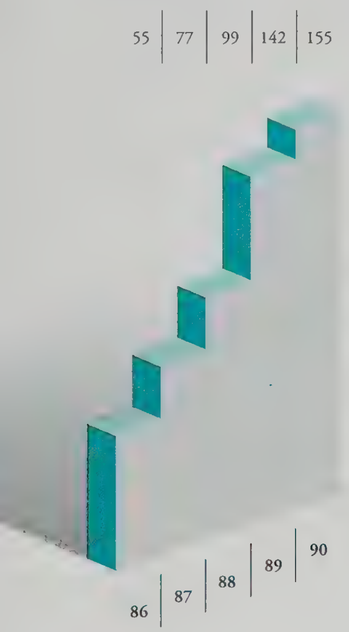
(millions of dollars)	1988	1989	**1990**
Interest Expense			
Cost-of-Service	$ 182	$ 201	**$ 216**
Non-Cost-of-Service	179	295	**257**
	$ 361	$ 496	**$ 473**
Average Outstanding Debt[1]			
Cost-of-Service	$ 1,710	$ 1,833	**$ 2,011**
Non-Cost-of-Service	1,550	2,501	**1,992**
	$ 3,260	$ 4,334	**$ 4,003**
Average Interest Rates			
Cost-of-Service	10-5/8%	11%	**10-3/4%**
Non-Cost-of-Service	11-1/2%	11-3/4%	**12-7/8%**
Consolidated	11%	11-3/8%	**11-7/8%**
Non-Cost-of-Service Debt[1] (at year end)			
Fixed Rate	$ 759	$ 796	**$ 575**
Variable Rate[2]	2,015	1,411	**627**
	$ 2,774	$ 2,207	**$ 1,202**

(1) Includes current bank loans but excludes subsidiary term preferred shares.

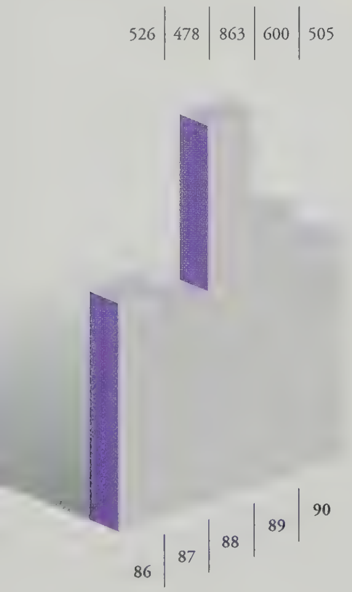
(2) The Corporation entered into a number of interest rate exchange agreements that fix the interest rate on $178 million of variable rate debt at approximately 10% for periods ranging from 6 to 49 months (average 33 months) from December 31, 1990.

Cost-of-service debt has increased due to the expansion of the Alberta Gas Transmission Division pipeline facility. The interest expense for this business is fully recovered from customers. The increase in average non-cost-of-service debt in 1989 is due to the acquisition of Polysar in mid-1988 and the reduction in 1990 is primarily the result of the sale of the rubber business.

Common Share Dividends for the Year
(millions of dollars)



Cash from Operations for the Year
(millions of dollars)



GAIN (LOSS) ON INVESTMENTS

During 1990, a $30 million gain on investments, net of tax, was recorded. The significant after-tax gains consisted of $35 million on the sale of the rubber business, $30 million on the sale of Grove Italia S.p.A., a valve manufacturing company, and $16 million representing NOVA's share of Husky's gain on sale of oil and gas properties. Offsetting these gains were losses and write-downs of various investments which totalled $51 million after tax.

During 1989, NOVA announced that it planned to sell its investment in Novalta Resources Inc., a wholly owned oil and gas company, its 50% interest in Trans Québec & Maritimes Pipeline Inc., (TQM) which operates a pipeline in Quebec, and its 50% interest in Western Star Trucks Inc., a heavy truck manufacturer. The Corporation deconsolidated these investments at December 31, 1989, and recorded the investments as assets held for sale, within Investments and Other Assets, at the lower of net realizable value and carrying value, resulting in a charge against net income of $17 million in 1989 in respect of TQM and Western Star. This was partially offset by the Corporation's share of a gain on the sale of oil and gas properties by Husky.

LIQUIDITY AND CAPITAL RESOURCES

Funds from operations of $505 million in 1990 were down by $95 million from 1989 due to the decline in income from the petrochemicals, plastics and rubber segment. In 1990, $53 million was invested in non-cash working capital whereas in 1989, reduction in working capital investment, principally from the sale of receivables, provided $196 million. Cash flow from operating activities of $452 million in 1990 was down $344 million from 1989.

Funds from operations of $600 million in 1989 were down by $263 million from 1988 due to the decline in income from the petrochemicals, plastics and rubber segment and higher interest expense due to increased debt levels as a result of investments made in 1988. This was partially offset by cash derived from a reduction in working capital investment which was due principally to the sale of trade receivables in 1989 which generated about $180 million. Cash flow from operating activities of $796 million in 1989 was down $42 million from 1988.

In investment activities, the sale of the rubber business and other investments in 1990 provided cash of $1.256 billion after expenses. In 1988 and 1989, the sale of non-core investments generated cash flows of $86 million and $143 million respectively.

Capital expenditures increased over the three years as a result of the expansion of the Alberta pipeline system and the effect of consolidating Polysar in 1988. Net capital expenditures for the Alberta Gas Transmission Division were $716 million in 1990, $398 million in 1989 and $237 million in 1988. Capital expenditures within petrochemicals, plastics and rubber of $213 million in 1990, $317 million in 1989 and $145 million in 1988, were for debottlenecking of existing facilities and plant improvements and expansion.

Capital expenditures for 1991 are expected to be about $690 million, of which $520 million will be principally for expansion of the Alberta Gas Transmission Division facilities and $170 million for improvements and expansion of petrochemicals and plastics facilities.

Other significant investment activities over the three-year period included the acquisition of Polysar and the methanol business in 1988 for a net cash

expenditure of $926 million and the investment of $172 million in Husky in 1988 related to partially funding that company's acquisition of Canterra.

Financing activities over the three-year period to supplement cash from operations for the investment program and to refinance certain long-term obligations consisted of the following:

• $1.0 billion in common equity. In 1988, shares valued at $372 million were issued on the acquisition of Polysar and $150 million was raised through the issue of convertible debentures; a common share rights offering in 1989 generated $449 million which was used to redeem preferred shares of a Polysar subsidiary and to reduce long-term debt.

• $2.9 billion of long-term debt. The purchase of investments in 1988, including the refinancing of $600 million of Polysar preferred shares, added $1.3 billion to long-term debt; the remainder related primarily to the financing of capital expenditures over the three-year period.

Cash flow from operations, the issuance of common equity and the sale of investments provided the cash to repay $2.8 billion of long-term debt over the three-year period.

Dividends to the Corporation's shareholders totalled $454 million over the three-year period. The increases of $39 million in 1989 and $13 million in 1990 reflect the effect of the additional common shares issued on the Polysar acquisition in 1988 and the rights offering in 1989. The quarterly dividend on common shares was increased in the second quarter of 1989 to 13 cents a share (52 cents on an annual basis) from 11 cents a share.

The capitalization of the Corporation over the three-year period is outlined below:

Consolidated Long-Term Debt
(billions of dollars)

December 31 *(millions of dollars)*	1988		1989		**1990**	
	$	%	$	%	$	%
Cost-of-Service						
Long-Term Debt(1)	$ 1,745	65	$ 1,821	65	**$ 2,247**	**65**
Preferred Shares	116	4	104	4	**95**	**3**
Common Equity	824	31	881	31	**1,084**	**32**
	2,685		2,806		**3,426**	
Non-Cost-of-Service						
Long-Term Debt(1)	2,799(3)	71	1,939	55	**960**	**41**
Preferred Shares	100	3	100	3	**100**	**4**
Common Equity	1,031	26	1,478	42	**1,284**	**55**
	3,930		3,517		**2,344**	
Consolidated						
Long-Term Debt(1)	4,544	69	3,760	60	**3,207**	**56**
Preferred Shares	216	3	204	3	**195**	**3**
Common Equity(2)	1,855	28	2,359	37	**2,368**	**41**
	$ 6,615		$ 6,323		**$ 5,770**	

(1) Includes current portion.
(2) Includes NOVA's $150 million convertible debentures.
(3) Includes $240 million of subsidiary term preferred shares.

The increase in cost-of-service long-term debt over the three-year period is due to financing requirements for the expansion of the Alberta Gas Transmission Division investment rate base. The 1989 year-end figure reflects a reduction of $140 million on the deconsolidation of TQM.

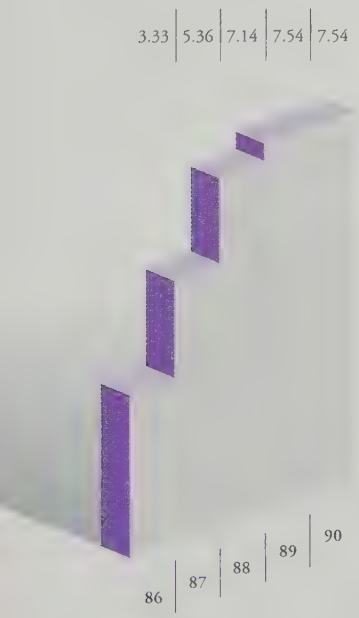
Cash flow in 1989 and the deconsolidation of $90 million of long-term debt related to certain investments held for sale reduced non-cost-of-service long-term debt by $860 million to $1.9 billion at December 31, 1989. In 1990, cash flow from operations and the application of proceeds from the sale of the rubber business and other investments, offset by additional borrowing to finance capital expenditures, reduced non-cost-of-service long-term debt by $979 million to $960 million at December 31,1990.

The common equity of the Corporation at the end of 1990 was $2.4 billion, of which $1.3 billion related to non-cost-of-service businesses.

NOVA's cash requirements are met through internal cash flow from operations and the issuance of long-term debt and common equity. NOVA has committed credit facilities with five Canadian banks aggregating $1.25 billion at December 31, 1990, of which about $645 million was unutilized. Subsequent to December 31, 1990, the Corporation completed long-term debt financing of $225 million which was applied to reduce borrowings under its credit facilities. The credit facilities expire between 1991 and 1995 but may be renegotiated at those dates.

At current and projected price levels for energy, petrochemicals and plastics, NOVA believes that cash flow from operations, the availability of credit facilities, access to long-term capital markets and the sale of non-strategic investments will be sufficient to finance its debt repayment obligations and ongoing capital spending programs.

Shareholders' Equity Per Common Share
(dollars)



BUSINESS AND ECONOMIC CONDITIONS

NOVA's profit performance is influenced by fluctuations in petrochemicals and plastics selling prices, interest rates and foreign currency exchange rates and demands on its capital resources are increasingly affected by environmental regulations.

The Corporation's products are sold in highly competitive markets, principally in Canada, the United States, Europe and the Asia-Pacific region. Supply and demand conditions for individual commodities are subject to significant fluctuations which may have a material impact on prices and margins and NOVA's earnings.

Energy and product selling prices remain volatile and for 1991 will continue to be heavily influenced by events in the Middle East and the performance of the North American economy.

INTEREST RATES

The Corporation had non-cost-of-service debt, including current bank loans, of $1.2 billion at December 31, 1990. Of this amount, interest rates are fixed, directly or indirectly, on approximately $575 million. The Corporation's net income is not materially exposed to interest rate fluctuations with respect to its 43% equity investment in Husky. Based on the floating rate debt exposure at December 31, 1990, a change in interest rates of 1% is estimated to affect NOVA's annual cash flow by approximately $7 million and annual net income by approximately $4 million.

FOREIGN CURRENCY

Prices for most of the Corporation's petrochemicals and plastics products and a significant portion of its interest in crude oil revenues are established in terms of the U.S. dollar. Based on 1990 levels of production and distribution of revenues, an increase in the value of the Canadian dollar of one cent, in United States dollar terms, is estimated to decrease the Corporation's annual cash flow by approximately $15 million and decrease annual net income by approximately $9 million. A decrease in the value of the Canadian dollar would have the reverse effect.

ENVIRONMENTAL REGULATIONS

NOVA is committed to protecting and conserving the natural environment and complying with applicable environmental laws and regulations. NOVA cannot predict precisely future developments in environmental regulation, but it is anticipated that future regulations and the enforcement of existing regulations will become increasingly stringent. During 1990, NOVA established and implemented a corporate environmental audit program to determine the extent to which actions are required at various sites in order to ensure that operations at the sites are in full compliance with existing and anticipated future environmental legislation. It is expected that the majority of this audit program will be completed by the end of the second quarter of 1991.

NOVA's capital expenditures for environmental management are budgeted at approximately $43 million in 1991.

FINANCIAL INSTRUMENTS

The Corporation utilizes interest rate swaps, options and forward contracts for the purchase or sale of foreign currency and commodities. Agreements are entered into to minimize the risk of losses due to changing rates or prices but will also have the effect of limiting upside potential for gains. These instruments are used for hedging purposes and not for speculation.

EXCHANGE RATES

	1986	1987	1988	1989	**1990**
$1.00 U.S. = $Cdn. (1)					
High	$ 1.4465	$ 1.3797	$ 1.3008	$ 1.2115	**$ 1.2085**
Low	1.3639	1.2951	1.1843	1.1558	**1.1288**
Average Noon Rate	1.3894	1.3260	1.2307	1.1842	**1.1668**
Year End	1.3805	1.2993	1.1925	1.1585	**1.1599**
$1.00 Cdn. = $U.S. (2)					
High	$ .7332	$ .7721	$ .8444	$ .8652	**$ .8859**
Low	.6913	.7248	.7688	.8254	**.8275**
Average Noon Rate	.7197	.7541	.8125	.8445	**.8570**
Year End	.7244	.7696	.8386	.8632	**.8621**

(1) Exchange rate for U.S. dollars in terms of Canadian dollars, based on the spot rate for U.S. dollars as reported by the Bank of Canada.

(2) Exchange rate for Canadian dollars in terms of U.S. dollars, based on the spot rate for U.S. dollars as reported by the Bank of Canada.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

MANAGEMENT

The management of NOVA Corporation of Alberta is responsible for the preparation and presentation of the consolidated financial statements and related information included in the annual report. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in Canada and are consistent with other information presented in the annual report.

The preparation of the financial information contained in the annual report necessarily involves the use of estimates and judgements which have been reached based on a careful assessment of data made available through the Corporation's information systems.

NOVA maintains a system of internal accounting controls designed to provide reasonable assurances for the safeguarding of assets and the reliability of financial records. The system is subject to continuous review through a corporate-wide internal audit program with appropriate management follow-up action. Management recognizes the limits that are inherent in all systems of internal accounting control. However, management believes that NOVA has established an effective and responsive system of internal accounting controls, through the careful selection of employees, the division of responsibilities and the application of formal policies and procedures.

Ernst & Young, an independent firm of chartered accountants, has been engaged, as approved by a vote of the shareholders at the Corporation's most recent annual general meeting, to audit NOVA's consolidated financial statements in accordance with generally accepted auditing standards and to determine whether in their opinion the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and changes in financial position of the Corporation. Ernst & Young determine the audit scope, test the accounting records and transactions and perform such other audit procedures as they deem appropriate. They also assess the accounting principles used and significant estimates made by management and evaluate the overall financial statement presentation. Ernst & Young's report on the consolidated financial statements is included herein.

NOVA's management believes that the system of internal accounting controls, review procedures and established policies provide reasonable assurance that the Corporation's operations are conducted in conformity with the law and with a high standard of business conduct.

S. R. Blair
Chairman and Chief
Executive Officer

W. G. Wilson
Executive Vice President and
Chief Financial Officer

A. T. Poole
Vice President and Controller

AUDIT COMMITTEE

The NOVA Audit Committee reviews and monitors the financial reporting process on behalf of the Board of Directors. The committee, which is composed entirely of directors independent of management, meets quarterly to review the Corporation's unaudited interim financial statements before distribution to shareholders and regulatory authorities. The committee also meets to review the annual financial statements and recommends their approval to the Board of Directors. The audit committee reviews reports prepared by the Corporation's internal and external auditors relating to its accounting policies and procedures as well as its internal controls. The committee reviews the Corporation's annual information reports prepared for various regulatory authorities and all prospectuses related to the issue of securities by the Corporation prior to filing with such regulatory authorities. The committee reviews with management the accounting policies and procedures employed by the Corporation and related matters of financial disclosure. The committee meets independently with internal auditors and external auditors to review the involvement of each in the financial reporting process and to consider the results of their audits. The audit committee recommends the appointment of the Corporation's external auditors, who are elected annually by the Corporation's shareholders.

P. L. P. Macdonnell

Chairman of the Audit Committee

AUDITORS' REPORT

To the Shareholders of
NOVA Corporation of Alberta

We have audited the consolidated balance sheet of NOVA Corporation of Alberta as at December 31, 1990, 1989 and 1988 and the consolidated statements of income, reinvested earnings and cash flows for each of the years in the three year period ended December 31, 1990. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990, 1989 and 1988 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1990 in accordance with accounting principles generally accepted in Canada.

Ernst & Young

Chartered Accountants

Calgary, Canada
February 15, 1991

Consolidated Statement of Income

Year Ended December 31 *(millions of dollars except for per share data)*	1988	1989	1990
REVENUE	$ 3,941	$ 4,840	$ 4,736
OPERATING COSTS AND EXPENSES			
Operating expenses	2,709	3,678	3,706
Depreciation and depletion	254	341	322
	2,963	4,019	4,028
OPERATING INCOME	978	821	708
OTHER INCOME (DEDUCTIONS)			
Interest expense (Note 6)	(346)	(470)	(466)
Allowance for funds used during construction	6	13	24
Equity in earnings (losses) of affiliates	19	(22)	–
Gain (loss) on investments (Note 12)	(5)	(4)	30
General and corporate	(15)	(30)	(50)
	(341)	(513)	(462)
INCOME BEFORE INCOME TAXES AND INTEREST OF OTHERS IN INCOME OF SUBSIDIARIES	637	308	246
Income taxes (Note 13)	(225)	(107)	(61)
Interest of others in income of subsidiaries	(16)	(15)	–
NET INCOME	396	186	185
Less preferred share dividend entitlement	22	18	18
NET INCOME TO COMMON SHAREHOLDERS	$ 374	$ 168	$ 167
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Millions)	229	261	299
NET INCOME PER COMMON SHARE			
Basic	$ 1.63	$ 0.64	$ 0.56
Fully diluted	$ 1.54	$ 0.63	$ 0.55

See accompanying summary of accounting policies and notes to consolidated financial statements.

Consolidated Balance Sheet

December 31 *(millions of dollars)*	1988	1989	**1990**
Assets			
CURRENT ASSETS			
Cash	$ 102	$ 43	**$ 3**
Receivables (Note 1)	868	575	**494**
Inventories (Note 2)	491	448	**358**
	1,461	1,066	**855**
INVESTMENTS AND OTHER ASSETS (Note 3)	963	1,071	**1,007**
PLANT, PROPERTY AND EQUIPMENT, NET (Note 4)	5,699	5,765	**5,153**
	$ 8,123	$ 7,902	**$ 7,015**

December 31 *(millions of dollars)*	1988	1989	1990
Liabilities and Common Shareholders' Equity			
CURRENT LIABILITIES			
Bank loans (Note 6)	$ 215	$ 268	$ 242
Accounts payable and accrued liabilities (Note 5)	768	783	654
Long-term debt instalments due within one year (Note 6)	85	108	92
	1,068	1,159	988
LONG-TERM DEBT (Note 6)			
Cost-of-service	1,702	1,756	2,168
Non-cost-of-service	2,517	1,896	947
	4,219	3,652	3,115
OTHER DEFERRED CREDITS (Note 7)	517	528	349
INTEREST OF OTHERS IN SUBSIDIARIES	248	–	–
PREFERRED SHARES - REDEEMABLE (Note 8)	216	204	195
CONVERTIBLE DEBENTURES AND COMMON SHAREHOLDERS' EQUITY			
Convertible debentures (Note 9)	150	150	150
Common shareholders' equity			
Common shares and warrants (Note 10)	1,158	1,617	1,624
Cumulative translation adjustment (Note 11)	11	30	20
Reinvested earnings	536	562	574
	1,855	2,359	2,368
CONTINGENCIES AND COMMITMENTS (Note 18)			
	$ 8,123	$ 7,902	$ 7,015

On behalf of the Board:

JRBlair Director

W G Wilson Director

See accompanying summary of accounting policies and notes to consolidated financial statements.

Consolidated Statement of Reinvested Earnings

Year Ended December 31 *(millions of dollars)*	1988	1989	**1990**
BEGINNING OF YEAR	$ 266	$ 536	**$ 562**
Net income	396	186	**185**
Loss on preferred shares redeemed or purchased for cancellation	(5)	–	**–**
	657	722	**747**
Less dividends			
Preferred shares	22	18	**18**
Common shares	99	142	**155**
	121	160	**173**
END OF YEAR	$ 536	$ 562	**$ 574**

In 1987, pursuant to a resolution of its Board of Directors and in conjunction with the reorganization of its share capital, the Corporation transferred the balance in the contributed surplus account of $227 million to reinvested earnings.

See accompanying summary of accounting policies and notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31 *(millions of dollars)*	1988	1989	1990
OPERATING ACTIVITIES			
Net income	$ 396	$ 186	$ 185
Depreciation and depletion	254	341	322
Deferred income taxes	201	71	(8)
Interest of others in income of subsidiaries	16	15	–
Equity in (earnings) losses of affiliates	(19)	22	–
Loss (gain) on investments	5	4	(30)
Other	10	(39)	36
From operations	863	600	505
Changes in non-cash working capital (Note 14)	(25)	196	(53)
	838	796	452
INVESTING ACTIVITIES			
Proceeds on sale of investments	86	143	1,256
Plant, property and equipment additions	(439)	(736)	(960)
Purchase of affiliates	(926)	(92)	–
Deconsolidation of subsidiaries	–	(88)	–
Other assets and long-term investments	(174)	(34)	(39)
Changes in non-cash working capital (Note 14)	(10)	99	(16)
	(1,463)	(708)	241
FINANCING ACTIVITIES			
Common shares issued	384	454	7
Convertible debentures issued	150	–	–
Long-term debt additions	1,646	441	817
Long-term debt repaid	(726)	(742)	(1,375)
Preferred shares of subsidiaries redeemed	(591)	(240)	–
Preferred shares purchased for cancellation	(119)	(11)	(9)
Dividends – to shareholders of the Corporation	(121)	(160)	(173)
– to other shareholders of partially owned subsidiaries	(15)	(15)	–
Changes in non-cash working capital (Note 14)	45	126	–
	653	(147)	(733)
INCREASE (DECREASE) IN CASH	28	(59)	(40)
CASH AT BEGINNING OF YEAR	74	102	43
CASH AT END OF YEAR	$ 102	$ 43	$ 3

See accompanying summary of accounting policies and notes to consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards. All dollar figures used in the consolidated financial statements are reported in Canadian dollars unless otherwise indicated. The significant accounting policies are as follows:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of NOVA Corporation of Alberta (the "Corporation" or "NOVA"), its subsidiaries and the proportionate share of assets, liabilities, revenues and expenses of certain of its pipeline investments.

COST OF SERVICE

Pipeline and some operations in the Petrochemicals Division are regulated by various governmental or regulatory bodies. These businesses operate under billing arrangements which provide for the recovery of reasonable and necessary operating expenses, cost of feedstock and fuel, depreciation, amortization, income and other taxes, net foreign exchange gains and losses in respect of debt service and an assured rate of return on investment.

FOREIGN CURRENCY TRANSLATION

Foreign operations are considered financially and operationally independent and have been translated to Canadian dollars using the year-end rate of exchange (the "current rate") for assets and liabilities and average rates for the year for revenues and expenses. Gains or losses resulting from these translation adjustments are deferred in a separate component of common shareholders' equity, under the caption "Cumulative Translation Adjustment", until there is a realized reduction of the investment in the foreign operation.

Foreign denominated long-term monetary items (principally long-term debt) of Canadian operations are translated at the current rate of exchange. For foreign denominated long-term monetary items of cost-of-service operations, the exchange differential is recoverable from customers and is reported as a reduction or addition in the associated long-term monetary item. The unrealized translation gains or losses related to non-cost-of-service long-term monetary items are deferred and amortized over the remaining lives of the related items.

INVENTORIES

Inventories are carried at the lower of cost determined on a first-in, first-out basis and net realizable value.

INVESTMENTS

The Corporation accounts for its investments in affiliates and certain joint ventures by the equity method. Under this method, the investment is carried at cost plus the related share of undistributed earnings less the amortization of the excess of the purchase price over the net book value at date of acquisition. Other investments are carried at cost. Investments held for sale are recorded at the lower of net realizable value and carrying value.

PLANT, PROPERTY AND EQUIPMENT

Plant, property and equipment are carried at cost and additions include related financing costs during major plant construction.

The Corporation's investment in oil and gas exploration and development activities is accounted for under the successful efforts method of accounting. The initial acquisition cost of oil and gas properties and the cost of drilling and equipping development wells and successful exploratory wells are capitalized. The costs of exploration wells classified as unsuccessful are charged to expense at the time of abandonment. All other exploration expenditures, including geological and geophysical costs and annual rentals on exploratory acreage, are charged to expense as incurred.

DEPRECIATION AND DEPLETION

Plant and equipment are depreciated on the straight-line basis at annual rates varying from 2% to 33% which rates are designed to write these assets off over their estimated useful lives.

For oil and gas operations, the acquisition cost of proved properties is amortized on the unit-of-production method using proved reserves. Successful exploratory wells and all development wells together with related equipment are depleted and depreciated on the unit-of-production method using proved

developed reserves. The cost of non-producing acreage is amortized based on past experience and other relevant factors which might impair the cost.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

For pipeline and some operations in the Petrochemicals Division, a return on capital invested in new plant under construction is recoverable from customers and is included in income.

INCOME TAXES

The deferral method of tax allocation accounting is followed in respect of all income except for pipeline and some operations in the Petrochemicals Division which are subject to cost-of-service agreements. Under this method, provision is made for income taxes deferred principally as a result of claiming capital cost allowance and exploration and development costs for income tax purposes in excess of depreciation and depletion provided in the accounts. The agreements for certain cost-of-service operations provide for the recovery of income taxes on the taxes payable method. The income tax provision recorded for these operations represents only the income taxes deemed to be currently payable and recoverable under the billing mechanism in place. Investment tax credits are recorded as a reduction in the cost of the related asset.

PENSION PLANS

The cost of pension benefits earned by employees is determined using the projected benefit method prorated on service and is charged to expense as services are rendered in all operations except for those which are subject to cost-of-service agreements. The cost of pension benefits reflects management's best estimates of the expected investment yields, salary escalations, mortality rates, terminations and the age at which members will retire. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lives of the employee groups. The adjusted market value of pension plan assets is determined based on a four-year moving average of pension plan asset market values.

The agreements for certain cost-of-service operations provide for the recovery of pension costs on the basis of cash contributions. The pension expense for these operations represents only contributions made to the pension plans during the year and therefore recoverable under the billing mechanism in place.

INTEREST RATE SWAP AGREEMENTS

The differential to be paid or received is accrued as interest rates change and is recognized over the life of the agreements.

FORWARD CONTRACTS AND OPTIONS

The Corporation enters into forward contracts and options as a hedge against changes in commodity prices or foreign exchange rates. Market value gains and losses are recognized and the resulting credit or debit offsets the effect of increases or decreases in commodity purchase prices or foreign exchange gains or losses on foreign cash flows.

NET INCOME PER COMMON SHARE

Basic net income per common share is calculated using the weighted average number of common shares outstanding during the respective year and net income after provision for preferred share dividend entitlement. The calculation of net income per common share on a fully diluted basis assumes conversion of all securities and exercise of all common share purchase warrants or options if such action would result in dilution of net income per common share.

COMPARATIVE FIGURES

Certain comparative figures have been restated or reclassified to conform to the current year's financial statement presentation.

1 RECEIVABLES

December 31 *(millions of dollars)*	1988	1989	1990
Trade	$ 674	$ 393	$ 331
Other	205	190	170
Less allowance for doubtful accounts	(11)	(8)	(7)
	$ 868	$ 575	$ 494

The Corporation sells trade receivables to certain financial institutions on a revolving basis to certain limits. Recourse to the Corporation is limited to a maximum of 10% of the amount outstanding at any point in time. At December 31, 1990, trade receivables sold amounted to $182 million (1989 - $203 million, 1988 - nil) which resulted in cash proceeds of $164 million (1989 - $183 million, 1988 - nil) after recourse allowance.

2 INVENTORIES

December 31 *(millions of dollars)*	1988	1989	1990
Materials and supplies	$ 93	$ 90	$ 78
Raw materials	166	148	161
Work in process	25	10	6
Finished goods	207	200	113
	$ 491	$ 448	$ 358

3 INVESTMENTS AND OTHER ASSETS

December 31 *(millions of dollars)*	1988	1989	1990
Husky Oil Ltd. - 43% owned	$ 629	$ 621	$ 627
Other investments	105	142	153
Other assets	61	58	59
Investments held for sale	168	250	168
	$ 963	$ 1,071	$ 1,007

HUSKY OIL LTD.

The investment in Husky Oil Ltd. ("Husky") is accounted for by the equity method. Details with respect to the components of this investment are as follows:

December 31 *(millions of dollars)*	1988	1989	1990
Cost	$ 429	$ 429	$ 429
Accumulated equity in undistributed earnings	200	192	198
Total investment in Husky	$ 629	$ 621	$ 627

In 1988, Husky acquired from NOVA 63.2% of the ordinary shares of Canterra Energy Ltd. ("Canterra") for approximately $230 million. Husky acquired all of the remaining outstanding ordinary shares of Canterra from the public for $145 million. In 1988, Husky redeemed all the outstanding Canterra debentures for $223 million, plus accrued and unpaid interest to the date of redemption. The shareholders of Husky provided an aggregate equity contribution of $400 million (with NOVA's portion being $172 million) to finance Husky's obligations in respect of the purchase of Canterra.

The following table sets out summarized financial information for Husky utilizing the successful efforts method of accounting for oil and gas assets.

December 31 *(millions of dollars)*	1988	1989	1990
Balance Sheet			
Current assets	$ 356	$ 340	$ 264
Investments and other assets	20	17	41
Plant, property and equipment (net)	3,274	2,907	2,891
Current liabilities	(328)	(298)	(376)
Long-term debt	(1,572)	(1,188)	(1,036)
Deferred foreign exchange	(24)	(27)	(1)
Deferred income taxes	(544)	(545)	(548)
Shareholders' equity	$ 1,182	$ 1,206	$ 1,235
Income Statement			
Revenue	$ 604	$ 801	$ 829
Operating costs and expenses	(588)	(730)	(736)
Interest expense	(39)	(104)	(94)
Gain (loss) on investments	(32)	61	41
Income taxes	19	(4)	(10)
Net income (loss)	$ (36)	$ 24	$ 30
Cash Flow			
Operating activities			
From operations before exploration costs	$ 209	$ 285	$ 243
Changes in non-cash working capital	30	(41)	134
	239	244	377
Investing activities			
Plant, property and equipment additions	(138)	(133)	(286)
Exploration costs	(57)	(87)	(91)
Sale (acquisition) of subsidiary company	(376)	–	55
Sale of assets	–	323	130
Other	34	6	(3)
	(537)	109	(195)
Financing activities			
Long-term debt repaid (net)	(86)	(350)	(183)
Issue of common shares	400	–	–
Other	(13)	(11)	–
	301	(361)	(183)
Increase (decrease) in cash	$ 3	$ (8)	$ (1)

OTHER INVESTMENTS

Other investments include various equity investments in petrochemicals (principally the Cochin pipeline) and plastics (principally a 50% interest in a polypropylene plant).

INVESTMENTS HELD FOR SALE

During 1989, the Corporation sold certain investments which were held for sale at December 31, 1988. The cash proceeds of $143 million equalled the carrying value of the investments; accordingly, there was no effect on net income. Also during 1989,

NOVA decided to sell its investments in Novalta Resources Inc., a wholly owned oil and gas company, and Grove Italia S.p.A., a wholly owned valve manufacturer, its 50% interest in Trans Québec & Maritimes Pipeline Inc. ("TQM") which operates a pipeline in Quebec and its 50% interest in Western Star Trucks Inc., a heavy truck manufacturer.

During 1990, NOVA sold its investment in Grove Italia S.p.A. (see Note 12).

4 PLANT, PROPERTY AND EQUIPMENT

December 31 *(millions of dollars)*	1988	1989	**1990**
Cost			
Petrochemicals, Plastics and Rubber	$ 3,736	$ 3,939	**$ 2,842**
Pipelines	2,993	3,150	**3,890**
Petroleum	274	–	**–**
Other	132	88	**84**
	7,135	7,177	**6,816**
Accumulated Depreciation and Depletion			
Petrochemicals, Plastics and Rubber	465	504	**661**
Pipelines	836	883	**978**
Petroleum	76	–	**–**
Other	59	25	**24**
	1,436	1,412	**1,663**
Net Book Value			
Petrochemicals, Plastics and Rubber	3,271	3,435	**2,181**
Pipelines	2,157	2,267	**2,912**
Petroleum	198	–	**–**
Other	73	63	**60**
	$ 5,699	$ 5,765	**$ 5,153**

5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31 *(millions of dollars)*	1988	1989	**1990**
Accounts payable			
Trade	$ 397	$ 416	**$ 399**
Other	84	56	**40**
	481	472	**439**
Accrued liabilities			
Interest	101	85	**78**
Other	145	163	**57**
	246	248	**135**
Income taxes payable	8	19	**36**
Dividends payable	33	44	**44**
	$ 768	$ 783	**$ 654**

6 LONG-TERM DEBT

December 31 *(millions of dollars)*		Maturity	1988	1989	1990
NOVA Corporation of Alberta					
Unsecured Debentures					
9-3/4%	Series 2		$ 13	$ 7	$ –
9-1/4%	Series 3		11	10	–
8%	Series 4	1991	33	32	30
8-1/8%	Series 5	1992	24	24	22
11-3/8%	Series 6	1995	40	36	31
17-3/4%	Series 8	1997	40	37	33
12-1/8%	Series 9	1993	100	100	100
14%	Series 10		100	–	–
12%	Series 11		125	125	–
11-1/8%	Series 12	1993	50	50	50
11.95%	Series 13	2007	125	125	125
10-3/4%	Series 14	1999	100	100	100
11.70%	Series 15	2008	150	150	150
11.15%	Series 16	1994	–	150	150
10.95%	Series 17	1994	–	100	100
11.20%	Series 18	2014	–	150	150
12-5/8%	Series 19	2010	–	–	100
10%	Series B	1996	100	100	100
8-3/4%	Series C ($U.S.)	1994	119	116	116
Unsecured Term Notes					
9.65%	($U.S.)	1992	42	40	41
9.95%	($U.S.)	1995	89	87	87
9-3/4%	($U.S.)	1997	–	–	151
Swiss Francs*		1996	140	56	67
Unsecured Bank Loans and Notes*			158	408	616
			1,559	2,003	2,319
Exchange differential related to cost-of-service customers			7	15	16
			1,566	2,018	2,335
Alberta Gas Ethylene					
Ethylene Plant I					
8-1/4% Secured Notes ($U.S.)		1998	170	149	132
Ethylene Plant II					
Secured Loan ($U.S.)*		2004	247	224	209
Secured Notes					
13-3/4%	Series A ($U.S.)	2004	37	31	25
9.85%	Series B ($U.S.)	2004	29	26	24
Secured Bank Loan*		1991	7	10	14
			490	440	404
Exchange differential related to cost-of-service customers			11	23	21
			501	463	425

December 31 *(millions of dollars)*	Maturity	1988	1989	1990
Polysar Acquisition Financing				
Term Credit Facility		$ 1,095	$ 563	$ –
		1,596	1,026	425
NOVA Petrochemicals				
Unsecured Loans				
Revolving Credit Facility* ($U.S.)		251	81	–
9.375% Debentures (ECU)		83	83	–
8.25% Debentures ($U.S.)		38	36	–
9% Debentures		17	–	–
Term Loans*	1991-1999	72	85	18
11.60% Term Loan	1992-2001	15	15	15
Other Unsecured Loans*	Various	28	41	10
		504	341	43
Capital Leases*	1995	–	–	41
		504	341	84
Foothills - Phase I				
Secured Loans*	2003	218	204	215
TQM				
First Mortgage Bonds		141	–	–
Secured Loan		6	–	–
		147	–	–
Other Loans*	Various	273	171	148
		4,304	3,760	3,207
Less instalments due within one year		85	108	92
		$ 4,219	$ 3,652	$ 3,115
Cost-of-service**		$ 1,702	$ 1,756	$ 2,168
Non-cost-of-service		2,517	1,896	947
		$ 4,219	$ 3,652	$ 3,115

* *The interest rate is a function of generally prevailing money market interest rates, Canadian bank prime rates and London Inter Bank Offered Rates. The composite average interest rate for these loans at December 31, 1990, was approximately 11-1/2% (1989 - 11-3/4%, 1988 - 11%). Interest rate exchange agreements have been made on $178 million of unsecured loans to fix the interest rate at approximately 10% for periods ranging from 6 to 49 months (average 33 months) from December 31, 1990. The Corporation is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, the Corporation does not anticipate nonperformance by the counterparties.*

** *Long-term debt classified as cost-of-service debt represents the debt component of the capital structure for the rate base of the Corporation's cost-of-service operations. These operations, which are regulated by governmental or regulatory bodies, are subject to agreements under which the billing mechanism includes an assured return to provide for the repayment of such debt and the payment of interest expense. Realized foreign exchange gains or losses on such debt are also for the account of the customer.*

In connection with various loans, details of security pledged and other information related to these loans, which are non-recourse to the Corporation, are provided below:

ALBERTA GAS ETHYLENE

Ethylene Plant I

The Secured Notes are secured by a first fixed and floating charge on the first ethylene plant, the ethylene pipeline and related assets and by the assignment of certain related contracts.

Ethylene Plant II

This financing is secured by charges on certain of the proceeds of the ethylene sales contracts for the second ethylene plant, charges on related performance guarantees and a first fixed charge on the second ethylene plant and certain related contracts.

Polysar Acquisition Financing

The acquisition of Polysar (see Note 16) was partially financed by a term credit facility provided to The Alberta Gas Ethylene Company Ltd., a wholly owned subsidiary, by a syndicate of Canadian chartered banks. This facility was repaid in 1990 from proceeds received from the sale of the rubber business (see Note 12).

FOOTHILLS - PHASE I

This financing is secured by the assignment of the interest of Foothills and three of its subsidiaries in certain agreements and floating charges on their respective properties and assets.

TQM

The First Mortgage Bonds and the secured loan are secured by a first fixed and specific charge on the TQM Pipeline system, a pledge, charge and assignment of gas transportation service contracts and gas sales agreements and a floating charge on other property. During 1989, NOVA decided to sell its investment in TQM and deconsolidated the investment at December 31, 1989.

OTHER LOANS

Other loans of $148 million in subsidiaries at December 31, 1990 (1989 - $171 million, 1988 - $273 million) include loans of $101 million at December 31, 1990 (1989 - $108 million, 1988 - $263 million) which are secured by certain assets and agreements of the subsidiaries.

SINKING FUND AND REPAYMENT REQUIREMENTS

Sinking fund and repayment requirements in respect of long-term debt for the five years following December 31, 1990, are: 1991 - $92 million; 1992 - $148 million; 1993 - $235 million; 1994 - $481 million; 1995 - $230 million.

CURRENT BANK LOANS

Current bank loans of $242 million in subsidiaries at December 31, 1990, (1989 - $268 million, 1988 - $215 million) include loans of $40 million (1989 - $44 million, 1988 - $87 million) which are secured by certain assets and agreements of the subsidiaries.

LINES OF CREDIT

At December 31, 1990, the Corporation had committed credit facility agreements with a number of Canadian banks aggregating $1.25 billion of which about $645 million was unutilized. Subsequent to December 31, 1990, the Corporation completed long-term debt financing of $225 million which was applied to reduce borrowings under its credit facilities. The credit facilities expire between 1991 and 1995 but may be renegotiated at those dates. NOVA may borrow in Canadian or U.S. dollars and other freely available Euro-currencies at interest rates related to Canadian and U.S. prime rates or the London Inter Bank Offered Rate.

INTEREST EXPENSE

Year Ended December 31 (*millions of dollars*)	1988	1989	1990
Interest on long-term debt	$ 348	$ 469	$ 440
Interest on short-term debt	13	27	33
Interest capitalized	–	(5)	(1)
Interest income	(15)	(21)	(6)
	$ 346	$ 470	$ 466

7 OTHER DEFERRED CREDITS

December 31 *(millions of dollars)*	1988	1989	**1990**
Deferred income taxes	$ 469	$ 436	**$ 255**
Deferred gain	48	44	**38**
Other	–	48	**56**
	$ 517	$ 528	**$ 349**

A gain realized from the sale and leaseback of the Corporation's head office building in 1985 has been deferred and is being credited to income over the term of the lease.

Other deferred credits include long-term costs associated with the rationalization of the Polysar investment and accruals for other long-term liabilities.

8 PREFERRED SHARES – REDEEMABLE

(a) Authorized

Unlimited number of cumulative first, second and junior preferred shares without par value.
100,000,000 subordinated junior preferred shares without par value.

(b) Issued and outstanding

	(number of shares)			*(millions of dollars)*		
December 31	1988	1989	**1990**	1988	1989	**1990**
Related to Cost-of-Service Operations						
First preferred shares						
7-3/4%	635,571	575,395	**520,695**	$ 16	$ 14	**$ 13**
9-3/4%	730,105	640,082	**541,159**	18	16	**14**
9.76%	1,096,952	923,899	**800,901**	28	23	**20**
7.60%	2,160,166	2,021,200	**1,930,120**	54	51	**48**
				116	104	**95**
Related to Non-Cost-of-Service Operations						
First preferred shares						
Variable Rate[3]	3,997,700	3,997,700	**3,997,700**	100	100	**100**
				$ 216	$ 204	**$ 195**

(c) Commentary

The following is a summary of material characteristics of the issued and outstanding preferred shares:

Preferred Share Issue	Stock Exchange Symbol	Annual Dividend Per Share	Redemption Features	Sinking Fund and Purchase Fund Requirements(1)
7-3/4%	E	$1.94	at $25.50 per share on or before May 15, 1994, and at $25.25 thereafter	purchase fund of $750,000 annually to the extent shares are available, at a price not in excess of $25.00 per share; the purchase fund is cumulative to a maximum of $1,500,000 in any calendar year
9-3/4%	F	$2.44	at $25.00 per share	cumulative sinking fund obligation of 64,000 shares annually at a price not in excess of $25.00 per share by May 15 of each year
9.76%	G	$2.44	at $25.00 per share	cumulative sinking fund obligation of 96,000 shares annually at a price of $25.00 per share by November 15 of each year
7.60%	H	$1.90	at $25.00 per share	purchase fund of 90,000 shares annually to the extent shares are available, at a price not in excess of $25.00 per share(2)
Variable Rate(3)	O	(3)	at $25.00 per share; retractable on February 15, 1995, at $25.00 per share	purchase 3% of the shares outstanding annually, commencing February 16, 1995, at a price not in excess of $25.00 per share(3)

(1) The sinking and purchase fund requirements are at prices not in excess of the stated price per share plus accrued and unpaid dividends, if any, and the expenses related to the purchase. In addition to the cumulative mandatory sinking funds, the Corporation may call for redemption and redeem annually, through the operation of non-cumulative optional sinking funds, 48,000 9-3/4% Preferred Shares and 72,000 9.76% Preferred Shares at $25.00 plus accrued and unpaid dividends.

The purchase requirements are approximately $7 million a year from 1991 to 1994 and $10 million in 1995.

(2) Notwithstanding all reasonable efforts by the Corporation, as the Corporation in its sole discretion shall determine, to the extent that the Corporation is unable to purchase an aggregate of 90,000 7.60% Preferred Shares in any calendar year, the Corporation's obligation to purchase shares with respect to such calendar year will be extinguished.

(3) The dividend rate on these shares was 9-1/8% until February 15, 1990. After this date the quarterly dividend payment is equal to one-quarter of 70% of the average of the Canadian prime interest rate in effect on each day during the three calendar months ending on the last day of the calendar month immediately preceding the dividend payment date for which the determination is being made, multiplied by $25.00. For 1990 this resulted in a dividend rate of 9.81% or $2.45 per share.

Notwithstanding all reasonable efforts by the Corporation, as the Corporation in its sole discretion shall determine, to the extent that the Corporation is unable to purchase the required number of these Variable Rate Preferred Shares in any 12-month period, the Corporation's obligation to purchase shares with respect to such 12-month period is extinguished.

(d) Purchases

During the year the Corporation purchased 367,701 shares for redemption or cancellation (1989 - 462,218 shares, 1988 - 4,409,632 shares).

9 CONVERTIBLE DEBENTURES

The Convertible Debentures, which are unsecured and mature on February 15, 2008, pay a minimum interest rate of 6-1/4%. They are convertible, at the holder's option, until February 15, 2008, into common shares of the Corporation at an initial conversion price of $10.70 per share, subject to adjustment in certain events, which equates to 14,018,692 common shares. The debentures are redeemable at par after February 15, 1993, and at any time prior to this date, at 105% of par if at least 85% of the original principal amount of the debentures has been converted.

The Convertible Debentures have been reported under the caption "Convertible Debentures and Common Shareholders' Equity" on the balance sheet. At its option at maturity, the Corporation may issue common shares in respect of the principal amount of the outstanding debentures at then prevailing market prices. The Corporation anticipates that the Convertible Debentures will ultimately be converted into common shares.

10 COMMON SHARES AND WARRANTS

(a) Authorized

Unlimited number of voting common shares without par value.
5,000,000 warrants.

(b) Issued and outstanding

	(number of shares and warrants)			*(millions of dollars)*		
December 31	1988	1989	**1990**	1988	1989	**1990**
Common Shares	245,322,668	298,704,149	**299,625,333**	$ 1,156	$ 1,615	**$ 1,622**
Warrants	132,025	118,655	**114,425**	2	2	**2**
				$ 1,158	$ 1,617	**$ 1,624**

(c) Common shares issued

Changes in the common share capital for the three years ended December 31, 1990, are summarized as follows:

(millions of dollars)

	Number of Shares	Common Share Capital
December 31, 1987	211,483,734	$ 771
For cash under the Dividend Reinvestment and Share Purchase Plan	465,703	5
On exercise of 122,925 Warrants	368,775	2
For purchase of Polysar (Note 16)	31,909,056	372
For purchase of affiliate	50,000	–
For cash on exercise of stock options (at prices ranging from $4.85 to $10.375)	1,045,400	6
	33,838,934	385
December 31, 1988	245,322,668	1,156

(millions of dollars)

	Number of Shares	Common Share Capital
For cash under rights offering	52,127,748	$ 449
For cash under the Dividend Reinvestment and Share Purchase Plan	620,823	6
On exercise of 13,370 Warrants	40,110	–
For cash on exercise of stock options (at prices ranging from $4.85 to $11.625)	592,800	4
	53,381,481	459
December 31, 1989	298,704,149	1,615
For cash under the Dividend Reinvestment and Share Purchase Plan	840,694	7
On exercise of 4,330 Warrants	12,990	–
For cash on exercise of stock options (at prices ranging from $5.85 to $6.58)	67,500	–
	921,184	7
December 31, 1990	299,625,333	$ 1,622

(d) Common shares reserved for future issue

December 31 *(number of shares)*	1988	1989	1990
Under the Dividend Reinvestment and Share Purchase Plan	5,629,286	5,008,180	**4,167,486**
For exercise of Convertible Debentures	14,018,692	14,018,692	**14,018,692**
For exercise of Warrants	396,075	355,965	**342,975**
Under the Incentive Stock Option Plan (1982), options are outstanding to officers and employees to purchase 8,595,850 common shares at prices ranging from $5.97 to $12.67 per share (1989 - 8,949, 350 shares, at prices ranging from $5.85 to $12.67 per share; 1988 - 7,278,075 shares, at prices ranging from $4.85 to $11.75 per share) with expiration dates between 1991 to 1996, and 4,857,600 common shares are reserved but unallocated (1989 - 4,571,600 shares; 1988 - 2,177,525 shares)	9,455,600	13,520,950	**13,453,450**
	29,499,653	32,903,787	**31,982,603**

(e) Common share dividends

Common share dividends paid to shareholders of record amounted to $155 million or 52 cents per share in 1990, $142 million or 50 cents per share in 1989 and $99 million or 42 cents per share in 1988.

(f) Warrants

The Warrants were issued in 1986 at a price of $15.00 per Warrant. Each Warrant entitles the holder at his option to obtain on exercise three common shares at any time before July 31, 1996, or either one no par value first preferred share or one no par value second preferred share from August 1, 1991 to July 31, 1996. The Corporation may purchase for cancellation any or all of the Warrants outstanding in the market.

11 CUMULATIVE TRANSLATION ADJUSTMENT

The cumulative translation adjustment represents the net unrealized foreign currency translation gain on the Corporation's net investment in self-sustaining foreign operations. Details of changes in the account are as follows:

Year Ended December 31 *(millions of dollars)*	1988	1989	**1990**
Beginning of year	$ 21	$ 11	**$ 30**
Effect of changes in exchange rates during the year	(9)	19	**21**
Realized gain on dividends paid by foreign operations	(1)	–	**–**
Realized gain on sale of assets	–	–	**(31)**
End of year	$ 11	$ 30	**$ 20**

12 GAIN (LOSS) ON INVESTMENTS

Components of the gain (loss) on investments and the related income effect, net of income taxes, are provided below:

(millions of dollars)	Per Statement Caption	Net Income Effect
Year ended December 31, 1990		
Sale of rubber business	$ 66	$ 35
Sale of Grove Italia S.p.A.	30	30
Share of gain by Husky on sale of assets	16	16
Expensing of petrochemical start-up costs	(31)	(19)
Write off of note receivable from Kinburn Technology Corporation	(18)	(12)
Sale of geomembrane business	(14)	(8)
Other	(19)	(12)
	$ 30	$ 30
Year ended December 31, 1989		
Share of gain by Husky on sale of assets	$ 13	$ 13
Reduction in investment carrying values	(17)	(17)
	$ (4)	$ (4)
Year ended December 31, 1988		
Sale of investments	$ (5)	$ 4

On October 1, 1990, the Corporation completed the sale of its rubber business for proceeds of approximately $1.25 billion, plus the assumption of approximately $100 million of debt. Proceeds were used to repay long-term debt. This business was acquired as part of the Polysar acquisition on July 1, 1988 (see Note 16). Results of the rubber business, during the period it was owned by NOVA, and its identifiable assets were as follows:

Year Ended December 31 *(millions of dollars)*	1988	1989	**1990**
Revenue	$ 417	$ 812	**$ 641**
Operating income	$ 37	$ 61	**$ 26**
Identifiable assets	$ 1,393	$ 1,432	**$ –**

During 1989, NOVA decided to sell certain investments (see Note 3). The Corporation deconsolidated these investments at December 31, 1989, and recorded them in the accounts at the lower of net realizable value and carrying value resulting in a charge against earnings of $17 million in respect of TQM and Western Star.

13 INCOME TAXES

Income tax expense varies from amounts computed by applying the Canadian federal and provincial statutory income tax rates to income before income taxes and interest of others in income of subsidiaries as shown in the following table:

Year ended December 31 *(millions of dollars)*	1988	1989	1990
Statutory income tax rate	47.4%	43.8%	43.8%
Income before income taxes and interest of others in income of subsidiaries	$ 637	$ 308	$ 246
Computed income tax expense	$ 302	$ 135	$ 108
Increase (decrease) in taxes resulting from:			
Lower effective foreign tax rates	(15)	(31)	(23)
Deferred income taxes on cost-of-service operations	(20)	(26)	(23)
Non-allowable depreciation and depletion	11	21	23
Manufacturing and processing deduction	(14)	(4)	1
Utilization of prior years' losses	(14)	(1)	–
Equity in losses (earnings) of affiliates	(9)	10	–
Non-taxable allowance for funds used during construction	(3)	(6)	(11)
Non-taxable investment gains	(3)	(1)	(13)
Other	(10)	10	(1)
Income tax expense	$ 225	$ 107	$ 61
Current income taxes	$ 24	$ 36	$ 69
Deferred income taxes	201	71	(8)
Income tax expense	$ 225	$ 107	$ 61

For pipeline and certain petrochemical operations, charges to customers are based on cost-of-service agreements. These charges include a recovery of income taxes. NOVA records income tax expense on these operations equal to amounts recoverable under the agreements and therefore, there is no effect on net income. Under some agreements the income taxes that are recoverable are limited to current taxes payable. Accordingly, the 1990 provision for income taxes excludes deferred income tax expense of $23 million (1989 - $26 million, 1988 - $20 million) and cumulative unrecorded deferred income taxes payable amounted to $311 million at December 31, 1990 (1989 - $288 million, 1988 - $262 million).

The principal timing difference in calculating deferred income taxes, for both cost-of-service and non-cost-of-service operations, relates to deductions for tax purposes in respect of plant, property and equipment in excess of depreciation provided for in the accounts.

14 CHANGES IN NON-CASH WORKING CAPITAL

Year Ended December 31 *(millions of dollars)*	1988	1989	1990
Receivables	$ (454)	$ 293	$ 81
Inventories	(374)	43	90
Bank loans	143	53	(26)
Accounts payable and accrued liabilities	391	15	(129)
Changes in non-cash working capital	(294)	404	16
Reclassification and other items not having a cash effect			
Non-cash working capital acquired (disposed of) on purchase (sale) of affiliates	329	–	(120)
Other items	(25)	17	35
Changes in non-cash working capital having a cash effect	$ 10	$ 421	$ (69)
These changes relate to the following activities:			
Operating activities	$ (25)	$ 196	$ (53)
Investing activities	(10)	99	(16)
Financing activities	45	126	–
	$ 10	$ 421	$ (69)

15 PENSION PLANS

The Corporation has pension plans covering substantially all employees. Pensions at retirement are related to years of service and remuneration during the last years of employment and are partially indexed to inflation. Actuarial reports are prepared annually by independent actuaries for accounting and funding purposes. Funding by the Corporation is made in accordance with the projected unit credit method. Assets of the plan consist primarily of publicly traded equity and fixed income securities. In 1990 the assumed future rates of return on assets and discount rates used to determine the estimated projected benefit obligations of the plans averaged 9% (1989 and 1988 - 7% to 8%). In 1990 the assumed long-term salary and wage, including merit, escalation rates averaged 5.5% (1989 and 1988 - 6% to 7%). Net pension expense consisted of the following:

Year Ended December 31 *(millions of dollars)*	1988	1989	1990
Current service costs	$ 15	$ 23	$ 16
Interest cost on projected benefit obligations	19	30	33
Estimated return on assets	(21)	(35)	(39)
Net total of other components	(1)	(1)	(6)
	12	17	4
Amounts attributable to cost-of-service contracts	(6)	(6)	4
Net pension expense	$ 6	$ 11	$ 8

The status of the pension plans is as follows:

December 31 *(millions of dollars)*	1988	1989	1990
Estimated obligations			
Projected benefits based on service to date and present remuneration	$ 287	$ 326	$ 199
Additional amounts related to projected salary and wage increases	101	117	81
Total projected benefit obligations	388	443	280
Assets available at adjusted market value	441	486	350
Excess of assets over projected benefit obligations	$ 53	$ 43	$ 70

The adjusted market value of plan assets is determined on a four-year moving average basis. Based on year end market values, the Corporation's pension plan assets at December 31, 1990 amounted to $337 million (1989 - $493 million, 1988 - $421 million).

During 1990, projected benefit obligations and plan assets were reduced as a result of the sale of the rubber business.

16 ACQUISITION OF AFFILIATES

ACQUISITION OF POLYSAR ENERGY & CHEMICAL CORPORATION

In 1988, NOVA completed the acquisition of Polysar Energy & Chemical Corporation ("Polysar") and thereby acquired its wholly owned subsidiary Polysar Limited. In early 1990, Polysar Limited was reorganized and now operates under the name NOVA Petrochemicals Inc. The term "Polysar" used herein refers to Polysar Energy & Chemical Corporation, Polysar Limited or NOVA Petrochemicals Inc. and its subsidiaries as the context may require.

The acquisition of Polysar has been accounted for by the purchase method and NOVA's consolidated financial statements for the period ended December 31, 1988, include the effect of 100% ownership of Polysar from July 1, 1988, the approximate date from which NOVA, for accounting purposes, effectively controlled Polysar. NOVA has recorded equity earnings in Polysar from the period prior to July 1, 1988, based on its ownership during that period. The net assets of Polysar at assigned values, and details of the consideration paid for Polysar were as follows:

(millions of dollars)	
Net assets acquired	
Plant, property and equipment	$ 2,452
Working capital	353
Investments and other assets	606
	3,411
Long-term debt	(806)
Deferred income taxes	(125)
Interest of others in subsidiaries	(279)
Preferred shares	(591)
	$ 1,610

(millions of dollars)	
Consideration	
Cash	$ 925
Common shares of NOVA	372
	1,297
Other net investment items	313
	$ 1,610

ACQUISITION OF ALBERTA GAS CHEMICALS LTD. NOVA acquired the shares of Alberta Gas Chemicals Ltd. ("AGCL") not previously owned by NOVA, for $40 million in 1988. As a result of this transaction, AGCL became a wholly owned subsidiary of NOVA (previously 50% owned). The acquisition of AGCL has been accounted for by the purchase method.

17 PROPORTIONATE CONSOLIDATION OF CERTAIN OF THE CORPORATION'S INVESTMENTS

The Corporation has proportionately consolidated certain of its pipeline investments. Prior to July 1, 1988, the Corporation also proportionately consolidated certain investments in the Petrochemicals Division; however, with the acquisition of Polysar these investments were no longer considered material and accordingly the method of accounting was changed to the equity method. The components of the Corporation's consolidated balance sheet and consolidated statement of income relating to its share of the activities of these investments are shown below:

	December 31		Year Ended December 31	
(millions of dollars)	Assets	Liabilities	Revenue	Operating Costs and Expenses
1988	$ 664	$ 477	$ 154	$ 57
1989*	553	385	140	72
1990	**562**	**389**	**110**	**64**

** The reduction in assets and liabilities at December 31, 1989 is principally due to the deconsolidation of the investment in TQM which is held for sale.*

18 CONTINGENCIES AND COMMITMENTS

(a) The Corporation leases office space, data processing and transportation equipment under various operating leases. The future minimum lease payments, net of recoveries under cost-of-service operations and sub-leases, are approximately $49 million in 1991; $43 million in 1992; $40 million in 1993; $34 million in 1994; $28 million in 1995 and an aggregate of $104 million in subsequent years.

(b) The agreement for the sale and leaseback of the Corporation's head office building provides that, on or after January 1, 1995, the Corporation offer to purchase the property at the expiration of the lease for $157 million.

(c) Various lawsuits and claims are pending by and against the Corporation. It is the opinion of management that final determination of these claims will not materially affect the financial position or operating results of the Corporation.

19 SEGMENTED INFORMATION

(a) Financial information by business segment

The management of the Corporation has determined that the following are the principal business segments of the Corporation:

Petrochemicals, Plastics and Rubber – production and marketing activities for various petrochemicals, plastics and rubber products. The rubber business was sold on October 1, 1990.

Pipelines – transportation of natural gas by pipeline.

Gas Marketing – marketing of natural gas.

Petroleum – exploration, development, production, refining, processing and marketing activities for crude oil, natural gas, natural gas liquids and sulphur; principally through the investment in Husky.

Other Businesses – design, development, manufacture and marketing of various products primarily for use in the resource and transportation industries and the provision of consulting activities relating to NOVA's core businesses.

Year Ended December 31 *(millions of dollars)*	1988	1989	1990
Revenue			
Petrochemicals, Plastics and Rubber	$ 2,472	$ 3,366	$ 3,297
Pipelines	627	658	710
Gas Marketing	832	775	850
Petroleum	29	36	–
Other Businesses	112	131	–
	4,072	4,966	4,857
Less intersegment revenue			
Pipelines	121	120	121
Gas Marketing	1	–	–
Petroleum	9	6	–
	131	126	121
	$ 3,941	$ 4,840	$ 4,736
Operating income			
Petrochemicals, Plastics and Rubber	$ 681	$ 511	$ 373
Pipelines	286	288	330
Gas Marketing	5	5	5
Petroleum	1	3	–
Other Businesses	5	14	–
	$ 978	$ 821	$ 708
Equity in earnings (losses) of affiliates			
Petrochemicals, Plastics and Rubber	$ 41	$ 6	$ 10
Petroleum	(21)	(21)	(10)
Other Businesses	(1)	(7)	–
	$ 19	$ (22)	$ –

Year Ended December 31 *(millions of dollars)*	1988	1989	1990
Identifiable assets			
Petrochemicals, Plastics and Rubber	$ 4,544	$ 4,343	**$ 2,933**
Pipelines	2,247	2,367	**3,032**
Gas Marketing	111	159	**124**
Petroleum	843	621	**627**
Other Businesses	160	10	**11**
Corporate and assets held for sale	218	402	**288**
	$ 8,123	$ 7,902	**$ 7,015**
Plant, property and equipment additions			
Petrochemicals, Plastics and Rubber	$ 145	$ 317	**$ 213**
Pipelines	242	401	**744**
Petroleum	51	11	**–**
Other Businesses	1	7	**3**
	$ 439	$ 736	**$ 960**
Depreciation and depletion			
Petrochemicals, Plastics and Rubber	$ 135	$ 215	**$ 212**
Pipelines	97	104	**110**
Gas Marketing	1	1	**–**
Petroleum	17	18	**–**
Other Businesses	4	3	**–**
	$ 254	$ 341	**$ 322**

(b) Financial information by geographic area based on location of the manufacturing facilities

Year Ended December 31 *(millions of dollars)*	1988	1989	1990
Revenue			
Canada	$ 3,149	$ 3,552	**$ 3,814**
United States	479	792	**571**
Europe and other	313	496	**351**
	$ 3,941	$ 4,840	**$ 4,736**
Operating income			
Canada	$ 884	$ 673	**$ 605**
United States	61	58	**(20)**
Europe and other	33	90	**123**
	$ 978	$ 821	**$ 708**
Identifiable assets			
Canada	$ 7,266	$ 7,129	**$ 6,690**
United States	463	374	**256**
Europe and other	394	399	**69**
	$ 8,123	$ 7,902	**$ 7,015**

(c) Financial information on cost-of-service/non-cost-of-service operations

Year Ended December 31 *(millions of dollars)*	1988	1989	1990
Revenue			
Cost-of-service	$ 884	$ 873	$ 946
Non-cost-of-service	3,057	3,967	3,790
	$ 3,941	$ 4,840	$ 4,736
Operating income			
Cost-of-service	$ 393	$ 384	$ 431
Non-cost-of-service	585	437	277
	$ 978	$ 821	$ 708
Contribution to net income			
Cost-of-service			
Operating income	$ 393	$ 384	$ 431
Interest expense	(182)	(201)	(216)
Allowance for funds used during construction	6	13	24
Equity in earnings of affiliates	3	9	12
Income taxes	(77)	(53)	(71)
	143	152	180
Non-cost-of-service			
Operating income	585	437	277
Interest expense	(164)	(269)	(250)
Equity in earnings (losses) of affiliates	16	(31)	(12)
Gain (loss) on investments	(5)	(4)	30
General and corporate	(15)	(30)	(50)
Income taxes	(148)	(54)	10
Interest of others in income of subsidiaries	(16)	(15)	–
	253	34	5
Net income	$ 396	$ 186	$ 185
Identifiable assets			
Cost-of-service	$ 2,769	$ 2,896	$ 3,636
Non-cost-of-service	5,354	5,006	3,379
	$ 8,123	$ 7,902	$ 7,015
Plant, property and equipment additions			
Cost-of-service	$ 286	$ 425	$ 773
Non-cost-of-service	153	311	187
	$ 439	$ 736	$ 960
Depreciation			
Cost-of-service	$ 143	$ 157	$ 162
Non-cost-of-service	111	184	160
	$ 254	$ 341	$ 322

(d) Export sales

Export sales from the Corporation's Canadian operations amounted to the following:

Year Ended December 31 *(millions of dollars)*	1988	1989	**1990**
United States			
Natural gas	$ 760	$ 705	**$ 785**
Other products	520	850	**815**
	1,280	1,555	**1,600**
Other	254	480	**379**
	$ 1,534	$ 2,035	**$ 1,979**

20 RECONCILIATION TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

The consolidated financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian basis") which parallel accounting principles generally accepted in the United States ("U.S. basis") in most areas. The following reconciliations reflect the differences in these accounting principles, where applicable, as required by the Securities and Exchange Commission in the United States (the "S.E.C.").

Year Ended December 31 *(millions of dollars)*	1988	1989	**1990**
Net income in accordance with the Canadian basis	$ 396	$ 186	**$ 185**
Add (deduct) adjustments for:			
Foreign currency translation (a)	67	4	**(16)**
Disposal of investments (b)	14	–	**–**
Other	(6)	1	**(2)**
Net income in accordance with U.S. basis	471	191	**167**
Less preferred share dividend entitlement	22	18	**18**
Net income to common shareholders in accordance with U.S. basis	$ 449	$ 173	**$ 149**
Net income per common share in accordance with U.S. basis			
– Primary	$ 1.84	$ 0.65	**$ 0.49**
– Fully diluted	$ 1.84	$ 0.65	**$ 0.49**
Reinvested earnings in accordance with U.S. basis (c)	$ 507	$ 538	**$ 532**

(a) United States accounting principles require that long-term debt payable in foreign currencies be translated at the rates of exchange prevailing on the balance sheet date with the resulting translation gains and losses to be included in the determination of net income for the period.

(b) Adjustments to reported net income from the Canadian to the U.S. basis of accounting change the carrying value of certain investments. As a result the amount of the gain or loss on disposal of these investments is different under the two bases of accounting in the particular year in which the transaction occurs.

(c) Reinvested earnings in accordance with the U.S. basis of accounting reflects the cumulative effect of adjustments to the Corporation's earnings to December 31, 1990, for significant differences between the Canadian and United States bases of accounting, principally foreign currency translation.

SUMMARIZED QUARTERLY FINANCIAL INFORMATION

Three Months Ended		March 31		June 30		September 30		December 31	
(millions of dollars except for share data)		1989	**1990**	1989	**1990**	1989	**1990**	1989	**1990**
Revenue	$	1,297	**1,195**	1,209	**1,237**	1,088	**1,183**	1,246	**1,121**
Operating income	$	320	**164**	252	**178**	126	**172**	123	**194**
Net income (loss)	$	129	**36**	76	**56**	7	**42**	(26)	**51**
Net income (loss) to common shareholders	$	124	**32**	72	**51**	2	**37**	(30)	**47**
Average number of common shares outstanding (millions)		245	**299**	245	**299**	252	**299**	298	**299**
Net income (loss) per common share(1)									
Basic	$	0.51	**0.11**	0.29	**0.17**	0.01	**0.12**	(0.10)	**0.16**
Fully diluted	$	0.48	**0.11**	0.28	**0.16**	0.01	**0.12**	(0.10)	**0.16**
Market price per common share									
Toronto Stock Exchange									
High	$	14	**9**	12-1/4	**9-3/8**	10-7/8	**8-7/8**	9-1/2	**8-7/8**
Low	$	11-1/4	**6-5/8**	9-3/4	**7**	8-5/8	**7-1/4**	8-3/8	**7-3/8**
Close	$	11-7/8	**7-5/8**	10-1/2	**8-5/8**	8-3/4	**7-1/2**	8-5/8	**8-5/8**
New York Stock Exchange ($U.S.)									
High	$	11-3/4	**7-5/8**	10-1/4	**8**	9-1/4	**7-5/8**	8	**7-5/8**
Low	$	9-1/2	**5-1/2**	8-1/8	**6-1/8**	7-3/8	**6-1/4**	7-1/8	**6-3/8**
Close	$	10	**6-5/8**	8-3/4	**7-3/8**	7-3/8	**6-1/2**	7-1/2	**7-1/2**
Dividends paid per common share	$	0.11	**0.13**	0.13	**0.13**	0.13	**0.13**	0.13	**0.13**

(1) The net income per common share is calculated based on the average number of shares outstanding during each period. As a result the individual quarters do not add to the total for the year.

SUMMARIZED FINANCIAL INFORMATION ON PRINCIPAL SEGMENTS

(millions of dollars)	Petrochemicals, Plastics and Rubber 1988	1989	1990	Pipelines 1988	1989	1990
Balance Sheet						
Current assets	$ 1,018	$ 734	**$ 590**	$ 78	$ 90	**$ 104**
Investments and other assets	255	174	**162**	12	10	**16**
Plant, property & equipment (net)	3,271	3,435	**2,181**	2,157	2,267	**2,912**
	4,544	4,343	**2,933**	2,247	2,367	**3,032**
Current liabilities	604	811	**658**	88	32	**63**
Long-term debt*						
Cost-of-service	429	405	**377**	1,273	1,351	**1,791**
Non-cost-of-service	1,776	1,030	**247**	–	–	**–**
Other deferred credits	299	369	**240**	108	117	**124**
	3,108	2,615	**1,522**	1,469	1,500	**1,978**
Capital investment	$ 1,436	$ 1,728	**$ 1,411**	$ 778	$ 867	**$ 1,054**
Income Statement						
Revenue	$ 2,472	$ 3,366	**$ 3,297**	$ 627	$ 658	**$ 710**
Operating costs and expenses						
Operating expenses	1,656	2,640	**2,712**	244	266	**270**
Depreciation	135	215	**212**	97	104	**110**
	1,791	2,855	**2,924**	341	370	**380**
Operating income	$ 681	$ 511	**$ 373**	$ 286	$ 288	**$ 330**
Cash Flow						
Operating activities						
From operations	$ 684	$ 439	**$ 333**	$ 193	$ 206	**$ 226**
Changes in non-cash working capital items	(62)	154	**(61)**	4	(10)	**(66)**
	622	593	**272**	197	196	**160**
Investing activities						
Plant, property and equipment additions	(145)	(317)	**(213)**	(242)	(401)	**(744)**
Other	46	111	**(46)**	32	(30)	**12**
	(99)	(206)	**(259)**	(210)	(431)	**(732)**
Cash flow before financing activities	$ 523	$ 387	**$ 13**	$ (13)	$ (235)	**$ (572)**

** Excludes any allocation of NOVA's corporate long-term debt.*

SUPPLEMENTARY OIL AND GAS INFORMATION

A. HUSKY OIL LTD.

The following tables provide information on Husky's landholdings and reserves.

Landholdings

Husky's developed and undeveloped acreage at December 31, 1990 is summarized below. The following table sets forth all of Husky's landholdings, not only that attributable to NOVA's 43% equity interest in Husky:

(thousands of acres)

	Developed[1]		Undeveloped[1]			
	Leases		Leases		Reservations, Permits, Licenses and Other Rights[2]	
	Gross[3]	Net[4]	Gross[3]	Net[4]	Gross[3]	Net[4]
Canada						
Western Canada						
Alberta	2,473	1,009	1,739	1,152	519	353
Saskatchewan	396	320	590	546	24	24
British Columbia	118	36	255	148	54	42
	2,987	1,365	2,584	1,846	597	419
Frontier Areas						
Newfoundland					254	40
Nova Scotia					200	31
Labrador Sea					97	23
Beaufort Sea					17	1
Northwest Territories					73	18
Arctic Islands					15	4
					656	117
	2,987	1,365	2,584	1,846	1,253	536
International						
Libya					5,193	1,722
Indonesia					1,264	202
Vietnam					2,944	736
Australia					1,428	428
Papua New Guinea					1,256	314
Senegal					1,828	542
					13,913	3,944

(1) Husky's interest in gross landholdings is subject to royalties and other non-working interests. Net landholdings are based on percentage interest owned in gross landholdings without allowance for production payments or special limitations which may restrict Husky's working interests. Not included are 787 thousand acres in Alberta, Saskatchewan and British Columbia in which Husky owns overriding royalty interests.

(2) The nature of Husky's rights under certain Canadian reservations, permits, gas licences and options is such that, except in certain special circumstances, only approximately 50% of the landholdings could be converted to lease.

(3) The number of gross acres is the total number of acres in which an interest is owned.

(4) The number of net acres is the sum of the fractional working interests owned in the gross acres, expressed as whole numbers.

Reserves

Husky's crude oil, natural gas liquids, natural gas and sulphur reserves are located in the provinces of Alberta, Saskatchewan and British Columbia. Husky's internal estimates of its gross and net proved and probable crude oil and natural gas liquids, natural gas and sulphur reserves as at December 31, 1988, 1989 and 1990 are summarized below. The following tables set forth all of Husky's reserves, not only that attributable to NOVA's 43% equity interest in Husky:

(thousands of barrels)

	Crude Oil and Natural Gas Liquids					
	1988		1989		1990	
	Gross[1]	Net[2]	Gross[1]	Net[2]	**Gross[1]**	**Net[2]**
Proved[3] [6]						
Developed[4]	199,700	165,750	212,590	181,020	**194,050**	**161,920**
Undeveloped[4]	19,400	16,100	36,990	32,480	**27,710**	**23,765**
	219,100	181,850	249,580	213,500	**221,760**	**185,685**
Probable[5]	53,900	47,800	49,660	42,640	**42,830**	**37,265**
	273,000	229,650	299,240	256,140	**264,590**	**222,950**

(millions of cubic feet)

	Natural Gas					
	1988		1989		1990	
	Gross[1]	Net[2]	Gross[1]	Net[2]	**Gross[1]**	**Net[2]**
Proved[3]						
Developed[4]	1,349,850	1,097,550	1,260,570	1,055,160	**1,139,525**	**937,010**
Undeveloped[4]	213,150	176,200	311,480	264,730	**371,045**	**319,585**
	1,563,000	1,273,750	1,572,050	1,319,890	**1,510,570**	**1,256,595**
Probable[5]	282,200	235,800	321,570	268,670	**431,870**	**362,605**
	1,845,200	1,509,550	1,893,620	1,588,560	**1,942,440**	**1,619,200**

(thousands of long tons)

	Sulphur					
	1988		1989		1990	
	Gross[1]	Net[2]	Gross[1]	Net[2]	**Gross[1]**	**Net[2]**
Proved[3]						
Developed[4]	9,780	8,890	7,580	6,760	**5,695**	**4,805**
Undeveloped[4]	1,210	990	1,300	1,150	**1,415**	**1,210**
	10,990	9,880	8,880	7,910	**7,110**	**6,015**
Probable[5]	790	710	600	500	**930**	**800**
	11,780	10,590	9,480	8,410	**8,040**	**6,815**

(1) Gross reserves are those attributable to Husky's interest before deduction of royalties.

(2) Net reserves are determined by deducting royalties from gross reserves.

(3) Proved crude oil and natural gas reserves are estimated quantities which are, according to geological and engineering information and economic conditions, recoverable with a high degree of certainty from known pools at commercial rates under present depletion methods and current conditions, prices and costs.

(4) Proved developed reserves are estimated to be recoverable from existing wells. Proved undeveloped reserves are estimated to exist in proved reservoirs which will be recovered from wells to be drilled in the future.

(5) Probable reserves are estimated quantities interpreted to be commercially recoverable, but which cannot be realistically considered proved at the present time.

(6) Heavy oil (less than 20 degrees A.P.I. gravity) accounted for 37% of the proved gross crude oil reserves at December 31, 1990 (1989-35%, 1988-21%).

B. FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) STATEMENT 69

The following information has been included to comply with the United States Securities and Exchange Commission regulations and is presented in accordance with the Financial Accounting Standards Board (FASB) Statement 69. Information with respect to Novalta Resources Inc., a wholly owned subsidiary, has been excluded as this investment is being held for sale.

NOVA'S 43% PROPORTIONATE INTEREST OF EQUITY ACCOUNTED INVESTEE - HUSKY OIL LTD.

Year Ended December 31 *(millions of dollars)*	1988	1989	1990
Results of oil and gas operations(1)	$ (6)	$ 25	$ 35
Property acquisition, exploration and development costs	$ 1,064	$ 67	$ 119

December 31 *(millions of dollars except for reserve data)*	1988	1989	1990
Capitalized costs	$ 1,301	$ 1,109	$ 1,071
Standardized measure of discounted future net cash flows related to proved reserves(2)	$ 480	$ 492	$ 582
Net proved developed reserves			
Oil (thousands of barrels)	71,273	77,839	69,626
Gas (millions of cubic feet)	471,947	453,719	402,914

(1) Excludes corporate overhead, interest expense and other operating costs which are not directly related to producing activities.

(2) Future net cash flows were calculated using year-end prices and costs, statutory tax rates, existing proved oil and gas reserves and an annual discount factor of 10% as required by regulation. The actual cash flows, when realized, will vary from those used in the calculation. These calculated amounts should not be interpreted as the fair value of the oil and gas reserves.

NOVA's financial results and its capital structure are affected by two fundamentally different ways of conducting business and earning income: cost-of-service operations and non-cost-of-service operations. For detailed financial information relating to NOVA's cost-of-service and non-cost-of-service operations, see Note 19(c) to the consolidated financial statements.

NOVA's principal cost-of-service operations are its pipeline businesses and its Joffre, Alberta ethylene operations. These businesses, which are regulated by various governmental or regulatory bodies, operate under billing mechanisms which provide for the recovery of reasonable and necessary operating expenses, costs of feedstock and fuel, depreciation, amortization, income and other taxes, net foreign exchange gains and losses in respect of debt service and an assured rate of return on the investment. For details on NOVA's pipeline investments and return on its pipelines and Joffre ethylene operations, see Cost-of-Service Businesses in the Financial Review.

In summary, the income contribution is entirely dependent on the level of investment and the return on that investment which is subject to approval by regulatory authorities. In addition, the billing mechanism provides an assured cash flow for repayment of principal and payment of interest on debt incurred to finance the investment base.

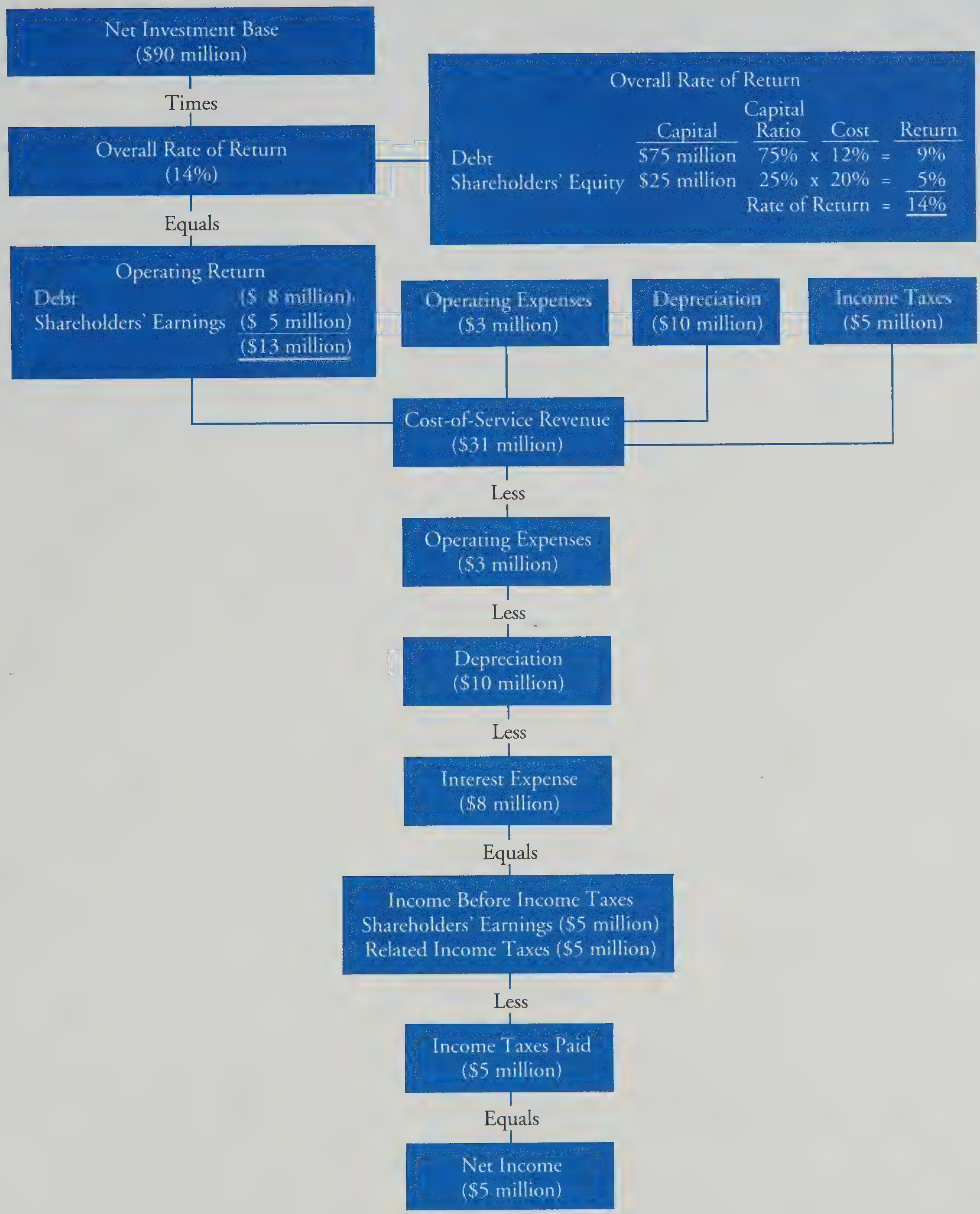
To illustrate how these cost-of-service activities impact the net income of the Corporation, the following example is provided.

The example, which is based on an after-tax return to common shareholders of 20%, shows how the shareholders' equity component of the rate of return flows through to the "bottom line" of NOVA's income statement. In determining the cost-of-service connected with these activities, debt and shareholders' equity components are combined and the rate of return percentage determined. This percentage is then applied to the net investment base (similar to total net assets). The result – operating return – is combined with the operating expenses, depreciation and income taxes to yield cost-of-service revenue. The specified deductions are then made to determine net income.

How this works can be shown in a diagram. The numbers used are hypothetical, and the following assumptions are made:

1. Investment Base	$100 million
2. Depreciation, based	
on a 10-year life	$ 10 million
3. Net Investment Base	$ 90 million
4. Capital Structure	
Debt	$ 75 million
Common Shareholders	$ 25 million
5. Cost of Debt	12 %
6. Return to Common	
Shareholders (After Tax)	20 %
7. Operating Expenses	$ 3 million
8. Income Taxes Paid	$ 5 million

As the illustration shows, cost-of-service provides the necessary revenue to meet all operating expenses, to pay interest on debt, and recover, through depreciation, the original investment in assets. As well, it provides the common shareholders with an appropriate return on their investment.


Net Investment Base
($90 million)
Times
Overall Rate of Return
(14%)
Equals
Operating Return
Debt ($ 8 million)
Shareholders' Earnings ($ 5 million)
($13 million)
Overall Rate of Return
Capital | Capital Ratio | Cost | Return
Debt $75 million 75% x 12% = 9%
Shareholders' Equity $25 million 25% x 20% = 5%
Rate of Return = 14%
Operating Expenses
($3 million)
Depreciation
($10 million)
Income Taxes
($5 million)
Cost-of-Service Revenue
($31 million)
Less
Operating Expenses
($3 million)
Less
Depreciation
($10 million)
Less
Interest Expense
($8 million)
Equals
Income Before Income Taxes
Shareholders' Earnings ($5 million)
Related Income Taxes ($5 million)
Less
Income Taxes Paid
($5 million)
Equals
Net Income
($5 million)

(millions of dollars, except for common share amounts)		1986	1987	1988[1]	1989	1990
OPERATING RESULTS						
Revenue	$	2,681	2,322	3,941	4,840	**4,736**
Operating income	$	558	528	978	821	**708**
Net income	$	134	225	396	186	**185**
Net income to common shareholders	$	50	176	374	168	**167**
TOTAL ASSETS	$	4,626	4,595	8,123	7,902	**7,015**
CAPITALIZATION						
Long-term debt – cost-of-service	$	1,648	1,675	1,745	1,821	**2,247**
– non-cost-of-service	$	813	760	2,559	1,939	**960**
Preferred shares – cost-of-service	$	194	125	116	104	**95**
– non-cost-of-service	$	633	204	100	100	**100**
Common equity[2]	$	512	1,212	1,855	2,359	**2,368**
Total capitalization	$	3,800	3,976	6,375	6,323	**5,770**
CASH FLOW DATA						
From operations	$	526	478	863	600	**505**
Spending on plant, property and equipment	$	305	200	439	736	**960**
Capital issued – long-term debt	$	100	218	1,646	441	**817**
– common and preferred equity	$	98[2]	31	534[2]	454	**7**
Dividends paid – preferred shareholders	$	84	49	22	18	**18**
– common shareholders	$	55	77	99	142	**155**
COMMON SHARE STATISTICS						
Net income per share – Basic	$	0.37	0.95	1.63	0.64	**0.56**
– Fully diluted	$	0.36	0.88	1.54	0.63	**0.55**
Dividends paid per share	$	0.40	0.40	0.42	0.50	**0.52**
Outstanding – year end (millions)		142	211	245	299	**300**
– average (millions)		135	185	229	261	**299**
Common equity per share at year end[3]	$	3.33	5.36	7.14	7.54	**7.54**
Market prices (TSE) – high	$	7-1/4	11-1/2	14-3/4	14	**9-3/8**
– low	$	4.35	5-5/8	8-3/4	8-3/8	**6-5/8**
– close	$	5-7/8	10	12	8-5/8	**8-5/8**
RATIOS						
Common shareholder						
Return on average common equity	%	11.1	20.4	24.4	8.0	**7.1**
Dividend payout	%	*	43.8	26.5	84.5	**92.8**
Dividend yield (year end market price)	%	6.8	4.0	3.5	5.8	**6.0**
Capital						
Long-term debt to common equity		4.8:1	2.0:1	2.3:1	1.6:1	**1.3:1**
NET INCOME IN ACCORDANCE WITH U.S. ACCOUNTING PRINCIPLES						
Net income	$	108	214	471	191	**167**
Net income to common shareholders	$	24	165	449	173	**149**
Net income per common share – Primary	$	0.17	0.88	1.84	0.65	**0.49**
– Fully diluted	$	0.17	0.84	1.84	0.65	**0.49**

** Not comparable*

(1) Acquisition of Polysar Energy & Chemical Corporation – see Note 16 to consolidated financial statements.

(2) Includes convertible debentures and warrants.

(3) Calculation includes the effect from conversion of the convertible debentures and warrants.

PRINCIPAL DIVISIONS, SUBSIDIARIES AND AFFILIATES

Petrochemicals Division
(100%)

Plastics Division
(100%)

Alberta Gas Transmission Division
(100%)

Foothills Pipe Lines Ltd.
(50%)

Grove Italia S.p.A.
(32%)

Husky Oil Ltd.
(43%)

Novalta Resources Inc.
(100%)

Novacorp International Consulting Inc.
(100%)

Pan-Alberta Gas Ltd.
(50.005%)

SOLICITORS

Howard, Mackie,
Calgary, Alberta

Paul, Weiss, Rifkind,
Wharton & Garrison,
New York, N.Y.

AUDITORS

Ernst & Young
Calgary, Alberta

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Senior Partner, Aird & Berlis
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St. Petersburg, Florida
(Petrochemicals Consulting)

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Calgary, Alberta
(Oil and Gas Consulting)

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(Transportation)

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Calgary, Alberta
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(Barristers and Solicitors)

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Partner, Milner Fenerty
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(Barristers and Solicitors)

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Trizec Corporation Ltd.
Calgary, Alberta
(Property Management and Development)

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Consultant
Calgary, Alberta
(Petrochemicals Consulting)

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Co-Chairman, Eurotunnel
London, England
(Transportation, Construction)

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Chairman, Century Sales & Service Limited
Edmonton, Alberta
(Industrial Tools and Fasteners Distribution)

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Calgary, Alberta

Daryl K. Seaman
Chairman, Bow Valley Industries Ltd.
Calgary, Alberta
(Natural Resource Services, Exploration and Development)

William G. Wilson
Executive Vice President and Chief Financial Officer of the Corporation

From left, directors Hon. Willard Z. Estey, Sir J. Graham Day and Sir R. Alastair Morton. Mr. Estey and Sir R. Alastair Morton are members of the management resources and compensation committee.

From left, directors Ronald B. Coleman, Harley N. Hotchkiss and William A. Howard. Mr. Hotchkiss and Mr. Coleman are members of the audit committee.

From left, directors Hon. John B. Aird, William H. Comrie, S. Robert Blair and H.J. Sanders Pearson. Mr. Blair is chairman of the Board and chief executive officer of the Corporation. Mr. Pearson is vice chairman of the Board and chairman of the management resources and compensation committee. Mr. Aird and Mr. Comrie are members of that committee.

From left, directors Peter L.P. Macdonnell, James H. Butler and J. Joseph Healy. Mr. Macdonnell is chairman of the audit committee.

From left, director William G. Wilson, secretary to the Board Joan A. Dennis and director Robert L. Pierce. Mr. Wilson is executive vice president and chief financial officer of the Corporation.

From left, directors Daryl K. Seaman, Harold P. Milavsky and Clifford L. Mort. Mr. Milavsky is a member of the audit committee.

CORPORATE OFFICERS

S. Robert Blair
Chairman and Chief Executive Officer

H. J. Sanders Pearson
Vice Chairman of the Board

William G. Wilson
Executive Vice President and Chief Financial Officer

G. Firman Bentley
Senior Vice President

Pierre Choquette
Senior Vice President

John E. Feick
Senior Vice President

Donald G. Olafson
Senior Vice President

Bruce W. Simpson
Senior Vice President

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Donald J. Boomer
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G. L. W. (Bud) Clark
Vice President

Robert B. Snyder
Vice President

Joan A. Dennis
Assistant Secretary and Secretary to the Board

Robert J. Main
Assistant Treasurer

Thomas G. Milne
Assistant Treasurer

WORLD HEADQUARTERS

NOVA Corporation
of Alberta

801 Seventh Avenue S.W.
P.O. Box 2535
Postal Station M
Calgary, Alberta T2P 2N6
(403) 290-6000
Toll-Free Number
(800) 661-8686
Fax (403) 290-6379
Telex 038-21503

PRINCIPAL SUBSIDIARY OR DIVISION OFFICES

NOVA Corporation
of Alberta
Alberta Gas Transmission
Division
Bruce W. Simpson
President

801 Seventh Avenue S.W.
P.O. Box 2535
Postal Station M
Calgary, Alberta T2P 2N6
(403) 290-6000
Fax (403) 290-6379
Telex 038-21503

NOVA Corporation
of Alberta
Petrochemicals Division
John E. Feick
President

801 Seventh Avenue S.W.
P.O. Box 2535
Postal Station M
Calgary, Alberta T2P 2N6
(403) 290-8977
Fax (403) 269-7410
Telex 038-25775

NOVA Corporation
of Alberta
Plastics Division
Pierre Choquette
President

801 Seventh Avenue S.W.
P.O. Box 2535
Postal Station M
Calgary, Alberta T2P 2N6
(403) 290-6000
Fax (403) 290-6379
Telex 038-21503

Novalta Resources Inc.
John A. Howard
President and
Chief Executive Officer

2900 Western Canadian Place
707 Eighth Avenue S.W.
Calgary, Alberta T2P 2M7
(403) 261-3630
Fax (403) 261-5461

Novacorp International
Consulting Inc.
Donald G. Olafson
President

801 Seventh Avenue S. W.
P.O. Box 2535
Postal Station M
Calgary, Alberta T2P 2N6
(403) 261-5200
Fax (403) 290-6090
Telex 038-21503

AFFILIATE COMPANY OFFICES

Foothills Pipe Lines Ltd.
Robert L. Pierce
Chairman and
Chief Executive Officer
Kent Jespersen
President

3100 - 707 Eighth Avenue S.W.
Calgary, Alberta T2P 3W8
(403) 294-4111
Fax (403) 265-0137

Grove Italia S.p.A.
Luigi Fiore
Chairman

Strada Campoferro 15
27058 Voghera (PV) Italy
(39) 383-6911
Fax (39) 383-691336

Husky Oil Ltd.
Arthur R. Price
President and
Chief Executive Officer

707 Eighth Avenue S.W.
P.O. Box 6525
Postal Station D
Calgary, Alberta T2P 3G7
(403) 298-6111
Fax (403) 298-7464
Telex 038-22596

Pan-Alberta Gas Ltd.
Robert L. Pierce
Chairman
G. W. (Scotty) Cameron
President and
Chief Executive Officer

500 - 707 Eighth Avenue S.W.
Calgary, Alberta T2P 3V3
(403) 234-6600
Fax (403) 234-6509
Telex 038-25517

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